LESOTHO REVENUE AUTHORITY

Integrated Report 2020–2021

The LRA introduced the Queue Management System to manage flow of clients into its service centers

LRA AT A GLANCE

M7.40 billion

Total gross revenue collected (2020/21):

(M7.864 billion – 2019/20)

M6.40 billion

Total revenue remitted (2020/21):

(M6.962 billion – 2019/20)

M1.049 billion

Refunds paid (2020/21):

(M902.47 million – 2019/20)

(9%)

Year-on-year decline in actual revenue collection due to impact of COVID-19

OUR GUIDING POLICY

Building a service culture through collaborative leadership. The guiding policy helps us to make decisions which support our strategy.

OUR VISION

To be a leader in service delivery in Lesotho and beyond, putting the interests of people at the heart of everything that we do.

OUR MISSION

To contribute to the economic development of Lesotho through:

- **an environment that encourages our clients to voluntarily comply;**
- **collaborative leadership;**
- **capable, service-oriented and motivated staff; and**
- **continuous improvement in everything that we do.**

OUR VALUES

- **We are responsive**
- **We care**
- **Service first**
- **Shared ownership**

OUR NAVIGATION

640 Employees (Excluding Youth Development Programme Staff and Other Temporary Staff)

13 Ports of Entry and Exit

6 Offices

3 Service Centres

7.0 The Cost of Collection in Lisente Per Loti (7.9 Lisente – 2019/20)

Digitisation of the VAT 11 (Vehicle Registration Business Process)

Introduction of an Interim Online Filing System to Mitigate COVID-19 Risks

35%

Tax revenue contribution to the national budget (2020/21):

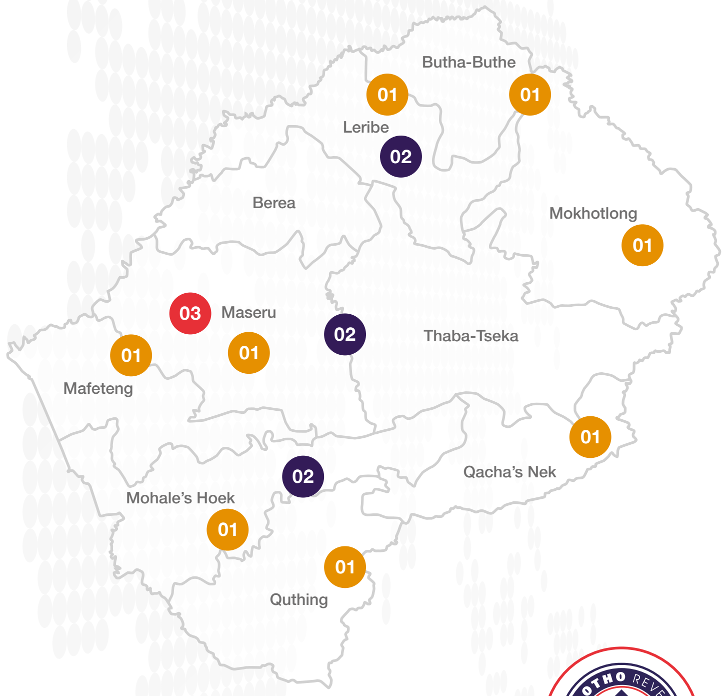
(42% – 2019/20)

85%

The percentage of clients who have rated our service as excellent (82% – 2019/20)

As the Lesotho Revenue Authority (LRA), we have been mandated to assess and collect revenue for the Government of Lesotho (GOL), operating under the general supervision of the Minister of Finance.

Our Footprint



01

Ports of entry and exit	District
Maseru Bridge Border Post	Maseru
Maputsoe Bridge Border Post	Leribe
Van Rooyen's Gate	Mafeteng
Qacha's Nek Gate	Qacha's Nek
Maseru Railway Station	Maseru
Moshoeshoe 1 International Airport	Maseru
Caledonspoort Border Post	Butha-Buthe
Tele Bridge	Quthing
Makhaleng Bridge	Mohale's Hoek
Ramatseliso's Gate	Qacha's Nek
Sani Top Pass	Mokhotlong
Peka Bridge	Leribe
Maseru Post Office	Maseru

02

Service centres	
Maseru Service Centre	Maseru
Leribe Service Centre	Leribe
Mohale's Hoek Service Centre	Mohale's Hoek

03

LRA offices	
Head Office	Maseru
MGC Park	Maseru
Oblate House	Maseru
Maseru Mall	Maseru
Training Centre	Maseru
State Warehouse	Maseru

OUR NAVIGATION

ABOUT OUR REPORT

This report represents the journey of the Lesotho Revenue Authority (LRA/the Authority) towards integrated reporting. In the report, we endeavour to present a full, coherent, consistent and transparent description of the ways in which we create value for our clients and deliver on our legislated mandate for our shareholder, the Ministry of Finance, and to reflect the material interests of all our stakeholders.

Reporting Boundary

This report covers the financial year 2020/21 which runs from 1 April 2020 to 31 March 2021. It focuses on the material matters relating to our strategy, business model, operating context, performance, governance, and the material risks and opportunities that we have identified in line with best practice, and which we outline on page 12. It is an explanation of how we create value in the short-, medium- and long-term, which we define as one year, two to three years, and five years respectively.

Reporting Frameworks

The report was prepared with regard to the aspirations and ideals set out in the principles of the King IV Code on Corporate Governance (King IV) and is also guided by the principles and requirements of the International Integrated Reporting Council (IIRC) <IR> framework. Our Financial Statements on pages 35 to 63 were prepared in accordance with the International Financial Reporting Standards (IFRS), and the requirements of the LRA Act No. 14 of 2001 (the Act), where appropriate. To ensure a holistic integrated thinking and action, we adopt a value creation model as a framework for packaging our strategic objectives and coherent actions. The model is premised on the following five sources of capital:

- Spiritual Capital
- Social Capital
- Human Capital
- Innovation Capital
- Financial Capital

For more on our Capitals, see page 5.

Materiality

An issue is considered material if it has the potential to cause substantial impact on delivery of the mandate and our relationships with stakeholders, as well as the legislative, economic, social and environmental context in which we operate. (For more on the context in which we operate, see page 7).

Forward-Looking Statements

This report contains certain forward-looking statements, particularly with regard to the potential of the implementation over time of our *Rea Aha* Strategy, the approach to the Authority mandate through investing in our five sources of capital, the effect of global and domestic economic conditions on the Authority's strategy, performance and operations. (For more on our strategy, see page 15).

These statements thus involve both known and as yet unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements to be materially different from the future results.

The Authority undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, or to reflect the occurrence of anticipated events. The forward-looking statements have not been reviewed or reported on by the auditors.

Directors' Statement of Responsibility

The Board of Directors (the Board), supported by the Finance and Audit Committee, acknowledges its responsibility for overseeing and ensuring the integrity of this integrated report. Executive Management, assisted by the reporting team, was responsible for the preparation of this report. The Board has applied its collective mind to the report's presentation and preparation, and believes it fairly represents the matters that have a material effect on our ability to create value and deliver on our legislated mandate. The Board accordingly approved this integrated report on 28 July 2021.

WHO WE ARE

The LRA is a corporate body established under the Lesotho Revenue Authority Act No. 14 of 2001. As stated in the Act, our mandate is "… to be the main body responsible for the assessment and collection, on behalf of the Government, of specified revenue; for the administration and enforcement of laws relating to such revenue and for related matters".

We do this within the frameworks of three other pieces of legislation:

- The Customs and Excise Act (1982) as amended
- The Income Tax Act (1993) as amended
- The Value Added Tax Act (2001) as amended

The tax mix for which we are administratively responsible comprises:

- Income Tax (IT), which comprises:
  - Corporate Income Tax (CIT)
  - Personal Income Tax (PIT)
  - Other Taxes (OT)
    - Withholding Tax
    - Fringe Benefit Tax
    - Gambling Levy
- Value Added Tax (VAT)

Of these, VAT and PIT are the largest contributors to tax revenues.

In addition to the tax revenues, we also collect non-tax revenue in the form of toll fees on behalf of the Road Fund.

Our Five Sources of Capital

Capital		Objective
Spiritual Capital	SPC	• Embody a service culture throughout the LRA • Create a sense of worthy purpose
Social Capital	SC	• Build internal trust • Build brand recognition and brand respect by external stakeholders
Human Capital	HC	• Increase staff competencies • Increase staff motivation
Innovation Capital	IC	• Create a continuous improvement culture • Enhance service delivery
Financial Capital	FC	• Build financial sustainability • Establish a culture of voluntary compliance

For more on our strategy, see page 15.

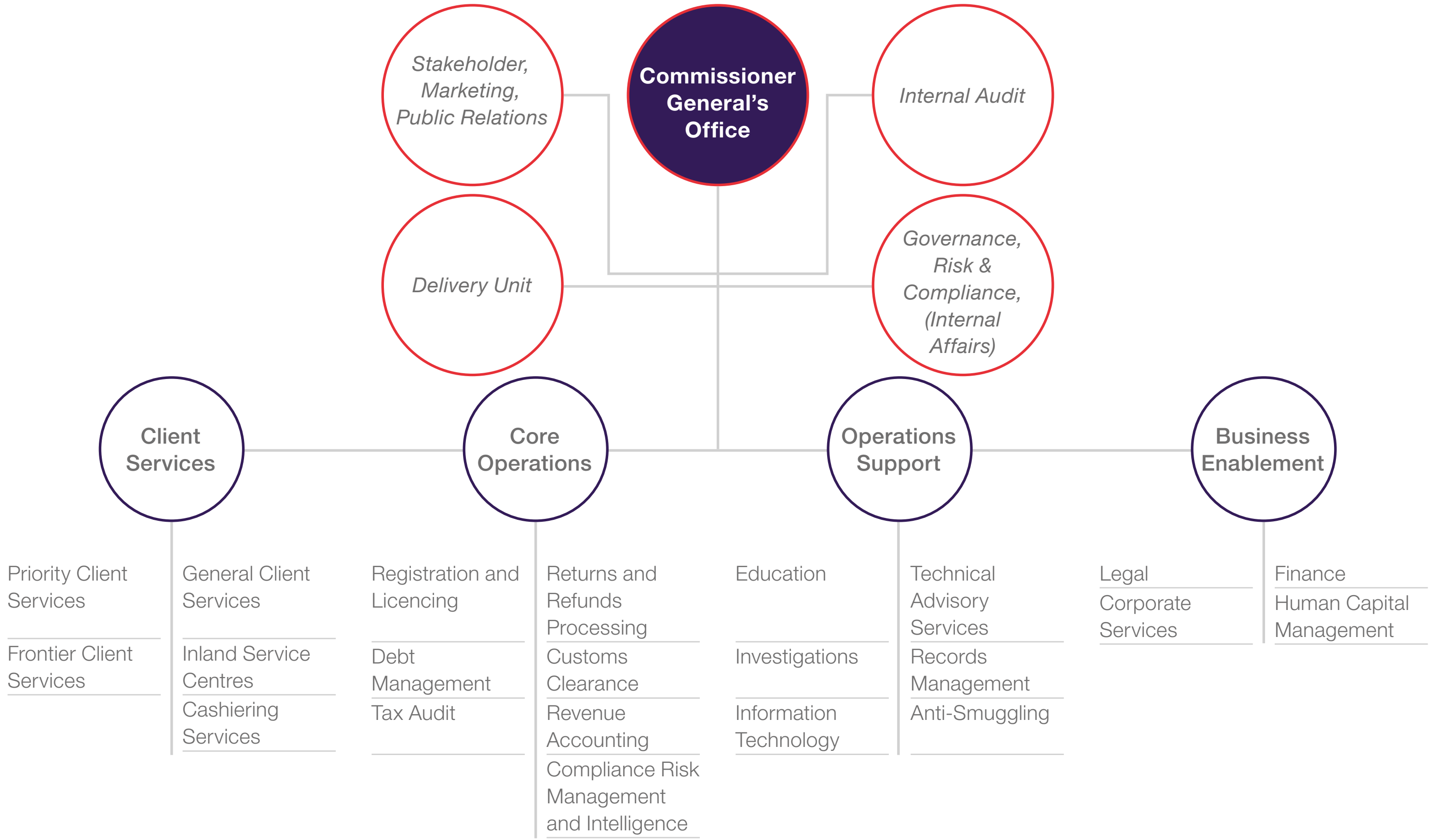
OUR NAVIGATION

Our Operating Structure

Implementation of our *Rea Aha* Strategy necessitated alignment of the structure to the strategy for optimal effectiveness, client and staff satisfaction, and the elevation of our Spiritual, Social and Human Capitals. As a result the Authority has four operating divisions.

These four divisions place all our staff who interact with clients at any level, within **Client Services**. Supporting them are those who work in **Core Operations** offering all the back office tax functions, who are in turn supported by **Operations Support** providing the specialised services that underpin and maximise our tax revenue collection efficiencies, with **Business Enablement** facilitating the smooth, integrated and cohesive operation of the organisation.

The fifth division is the Commissioner General's (CG's) Office which comprises the four advisory functions, Delivery Unit, Internal Audit, Governance, Risk and Compliance, Stakeholder, Marketing and Public Relations.

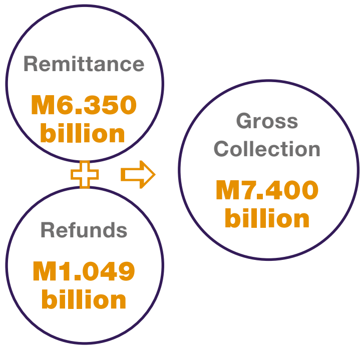


Our Operating Environment

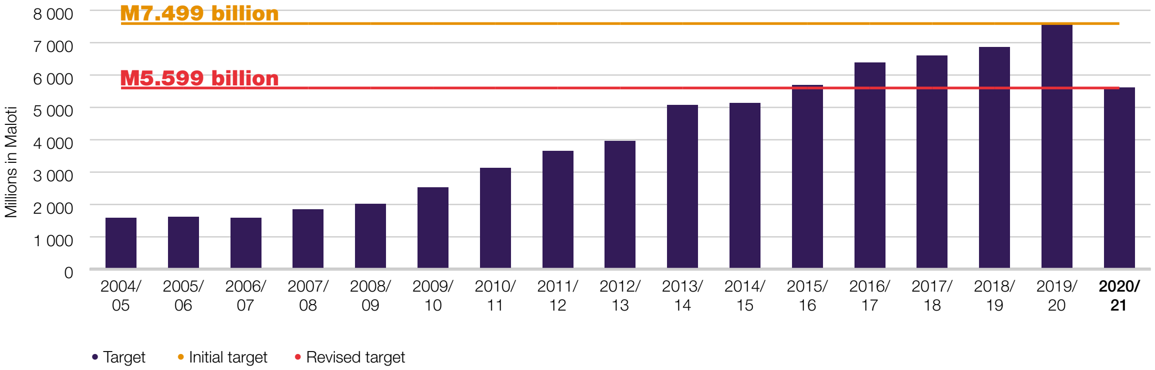
The Authority operated under an economic environment which declined to 0.4% in 2021 from 6.3% in 2020 (Central Bank of Lesotho Economic Outlook June 2021). This decline is attributable to a slowdown in mining and quarrying with a 25.3% decline, and building and construction with a 24.9% decline in 2020. The fiscal position was estimated to have improved from a deficit of 5.6% of GDP in 2019/20 to 2.2% of GDP in 2020/21 (Central Bank of Lesotho Economic Outlook March 2021).

The Lesotho Tax Environment

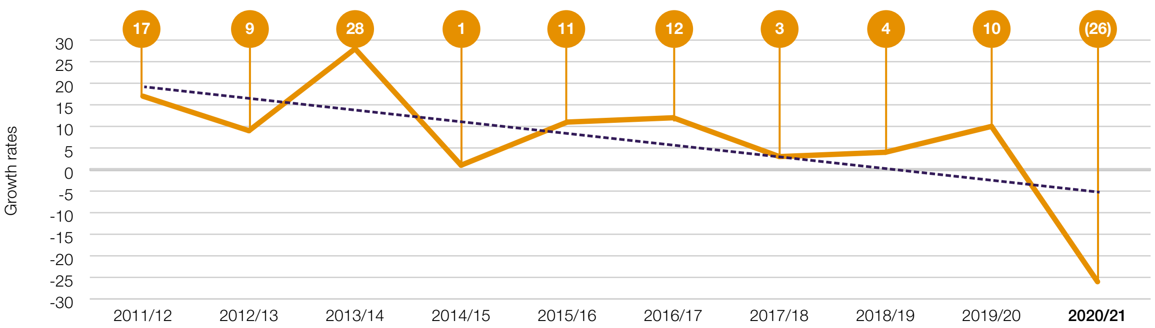
The LRA generated revenue of M6.350 billion despite the tough operating environment, exceeding its target by 13%. This was on a 26% adjustment of the revenue target by M1.986 billion due to the COVID-19 pandemic which ravaged the world economy. Historically, revenue performance grew at an increasing rate, reaching a peak in 2008/09. Following this period, it declined, reaching the lowest point in 2013/14 when the target was missed by 12.7%. There was a slight improvement in 2015/16, but the target was missed again in 2016/17 and 2017/18. This trend ended in 2018/19 when the Authority exceeded the target by M113 million (1.7%).



Trends in annual targets



Growth in targets over time (%)

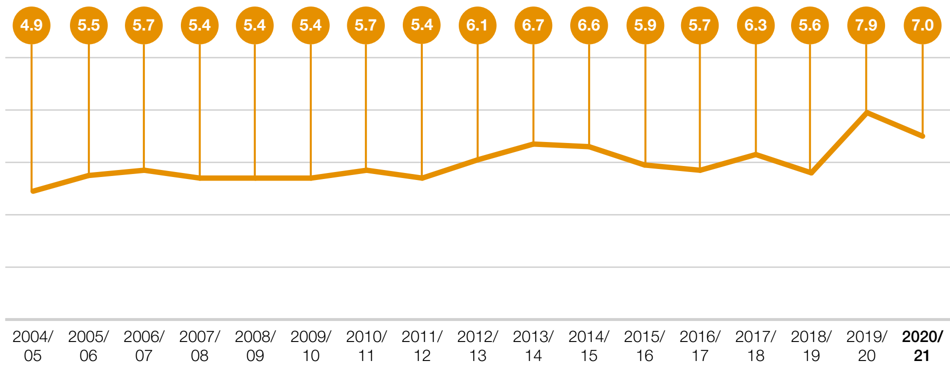


OUR NAVIGATION

Cost of Collection

Lesotho's cost of collection, which measures the efficiency of collecting revenue, is high compared to the international benchmark of 1%. The cost of collection showed an upward trend from 4.9 lisente in 2004/05 to 7.0 lisente per loti in 2020/21.

Cost of collection in lisente (local currency)



Sources of Tax Revenue

The Lesotho domestic tax revenue is composed of Income Tax (IT) and Value Added Tax (VAT). Income Tax comprises Corporate Income Tax (CIT), Personal Income Tax (PIT) and Other Taxes (OT).

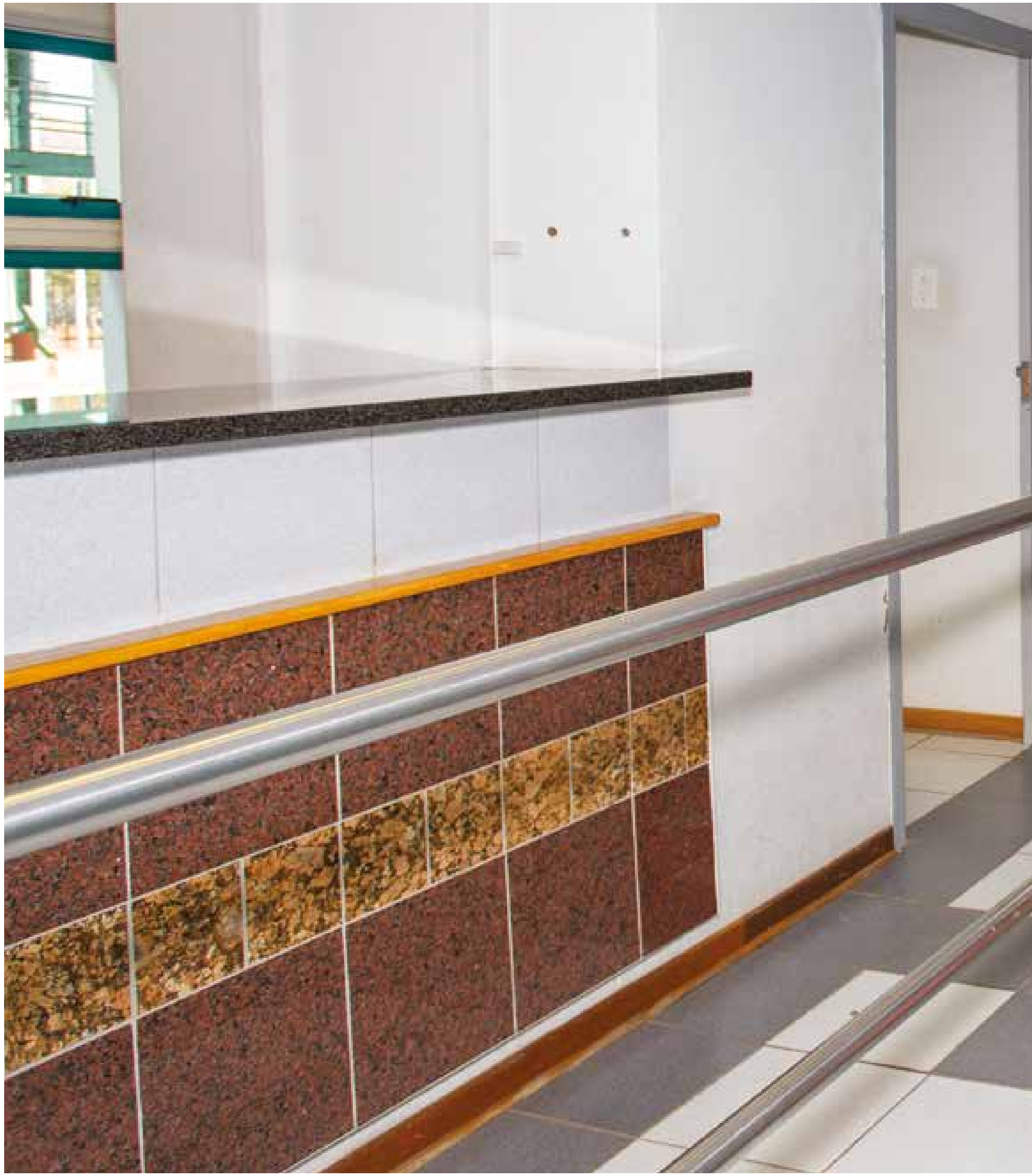
VAT and PIT are the largest contributors to tax revenue.

The share of Income Tax has remained constant between 2019/20 and 2020/21, at 54% PIT and 23% CIT and Other Taxes. This followed a decline from 62% in 2016/17 to 60% in 2017/18, and a further decline to 59% in 2018/19.

VAT increased from 38% in 2016/17 to 41% in 2019/20.

Income Tax slightly increased to 63% while VAT dropped to 37%.

By sub-tax types, PIT accounts for the largest share in Income Tax averaging 33%. CIT ranges between 14% and 16% while OT average 13%. Cumulatively in 2020/21, PIT increased to 42%, OT steeply declined to 7%.



OUR NAVIGATION

CHAIRMAN'S REPORT

Our people went beyond the call of duty to help clients affected by COVID-19 get through the initial effects.

Mr. Robert Likhang

Chairman of the Board

It is my honour, on behalf of the Board, to once again report to the taxpaying public on the achievements of the LRA in the past financial year and discuss what lies ahead for us.

During this period, the Authority undertook a review of its five-year strategy to maintain positive revenue collection results despite severe economic challenges, caused primarily by the COVID-19 pandemic. The Authority continues with its efforts to contribute positively to the Government's revenue fiscus.

Performance

The Board acknowledges that our organisation's undertakings in the period under review were conducted in extraordinary circumstances as a result of the COVID-19 crisis. The pandemic renders the review period one of the most challenging in living memory, not only for the organisation but for the country and the world. Our economy has been directly affected by the economic downturn that has swept the global community in the wake of the pandemic.

The year 2020 began with relatively optimistic prospects for the Lesotho economy. However, the onset of the pandemic in March led to Lesotho, and the entire global community, experiencing unprecedented health and financial crises.

Considering the broader impact of COVID-19, the LRA's revenue performance results were commendable. From adversity, some positives emerged. Our staff adapted well to our changed circumstances, with about 70% of office-based staff working from home. Despite that, our productivity remained acceptable. A key reason for this is our staff's commitment to serving our clients and the Spiritual Capital they have developed. Our people went beyond the call of duty to help clients affected by COVID-19 get through the initial effects. Nothing says more about our people's commitment than the way our frontier staff kept our doors open throughout the COVID-19 period, ensuring that our clients could continue to access our critical services in their time of need.

The LRA staff has made the shift to thinking of taxpayers as clients and now engages with them about tax matters instead of merely enforcing compliance. This approach, together with the relief measures we introduced, have improved the Authority's client relationships and helped us to achieve our revenue targets despite the pandemic.

Another achievement I would like to highlight is the good progress the Authority made with the Tax Modernisation Programme. In only two years' time our systems will be completely automated and our clients will receive tax assessments as invoices.

Lessons learned during this challenging period should be recorded and used as a foundation for the Authority as it continues to carry out its mission of assessing and collecting revenue.

Service Improvement

We know that the impact of COVID-19 will pass with time and leave a legacy of organisational resilience and tenacity to face challenges.

While interest in Fourth Industrial Revolution technologies has increased as a result of COVID-19, few companies currently use advanced technologies such as machine learning, robotics or even touch screens. In the year under review, the LRA accelerated its adoption of advanced technologies and data analytics. This shift had been slow, but the pandemic forced many traditional service channels to transform to online services. The LRA had been investing in its digital capabilities before the pandemic, but the operating environment under COVID-19 made it a more urgent priority.

The Authority expanded its operational and technological capabilities and is now set to take on activities beyond its core mandate. We have developed into a competent organisation prepared to collect non-tax revenue for the Government.

In view of the decline in the business environment, the LRA made concessions to categories of clients who were most affected by the pandemic to support their operational recovery while ensuring compliance. Our staff drew on our social capital when they assisted the Government to manage the pandemic in service of their country.

Strategy

Our stakeholders' material issues were the driving force of the previous *Rea Aha* Strategy. It is always gratifying to receive external recognition that validates our efforts, and the positive experience of our clients and stakeholders and strengthening of relationships with them will continue to underpin our service delivery under the revised *Rea Aha* Strategy.

Outlook

What we will face in the longer term is far from certain. The challenge ahead is to implement a longer-term strategy that acknowledges the reality of living with COVID-19. While we are still reeling from the shock of the pandemic, the strength of the underlying fundamentals will help us get through the recovery period. The LRA must explore all avenues to ensure its valuable Human Capital base is protected.

Acknowledgements

Government's support during this critical period did not go unnoticed and has enabled us to discharge our mandate effectively despite the challenges in our operating environment. Our forward-thinking Board has also enabled the Authority to perform in the past year and keep transforming by supporting innovation in the organisation. We are grateful for and inspired by our Board that is proactive in considering local and regional risks and are strategic in their thinking.

To our compliant clients, I extend my gratitude for your continued support and good conduct in honouring your obligations. I urge you to uphold the practice of social distancing and continue using our online platforms for meeting your tax obligations and benefitting from interactive sessions.

I would like to specifically recognise the LRA's personnel for the eagerness, diligence, sterling contributions and resilience they have shown, especially during the pandemic. It has been said that crises also create opportunities. I am optimistic that our organisation will decisively and effectively address the difficulties caused by COVID-19 and creatively use the opportunities it presents to once again play a leading role in our country in embracing the Fourth Industrial Revolution in the new era.

I thank you.

OUR NAVIGATION

COMMISSIONER GENERAL'S REVIEW

In updating its strategy, the Authority considered global trends such as e-commerce and concluded that it is imperative for it to adapt to these trends.

Mr. Thabo David Khasipe (CFA)

Commissioner General

The LRA and the country at large faced a new challenge in the form of the COVID-19 pandemic, which ravaged not only the economy, but also the very social fabric of our society in the period under review. In the midst of this challenge, the leadership of the Authority, comprising the Board and Management, rose to the challenge by invoking the Authority's crisis management policies and procedures. Concurrently, the *Rea Aha* Strategy was reviewed with a view to responding to the changed local and global economic landscape, leveraging on the opportunities presented by the Fourth Industrial Revolution and drawing lessons from the first half of the five-year strategy.

In response to the COVID-19 pandemic, the Authority's Board and Management demonstrated corporate citizenship by taking a number of decisions and actions towards contributing to the direct fight against the pandemic and also the mitigation of its socio-economic impacts. With respect to the former, the Board approved the secondment of the CG and some key staff of the Authority, to lead the national response to the pandemic. Moreover, to mitigate the socio-economic impacts of the pandemic, the Authority effectively supported the Government by providing much needed tax relief, payment deferrals and enhanced digitised services to all taxpaying clients during the pandemic.

The Authority ultimately set itself apart and advanced its objectives by seizing the opportunities the pandemic brought about and building stronger social capital with its stakeholders in this way.

Material Issues

The following emerged as material issues for the LRA in the period under review:

- **The economic impact of the COVID-19 pandemic and its effect on revenue collection**

  The weaker economic environment may have an impact on the voluntary compliance culture which the Authority is developing. Due to economic constraints, business may prioritise funding of its day-to-day operations over tax compliance.

- **The impact of COVID-19 on revenue from the Southern African Customs Union (SACU)**

  Lesotho is expected to derive significantly less revenue from the SACU pool due to both COVID-19 negative effect on the region's international trade and a decrease in its trade with other members of the union. This constitutes a material matter for the LRA since the country derives 50% of its income from SACU. The Government's income is under pressure while it faces increased demands to provide economic stimulus and social support. To address this material issue, the Authority needs to collect revenue more efficiently by promoting automatic compliance and exploiting e-commerce. Its Lesotho Tax Modernisation Project is set to help realise these objectives. (See Strategy, page 15).

- **Reduced local revenue**
  The Authority's local revenue is shrinking while it needs to replace lost SACU income with local revenue. The implication is that the Authority needs to be innovative in making efficiency gains and collect revenue from new sources.
- **The financial sustainability of the authority**
  The Authority's financial sustainability is at risk because the economy has weakened and numerous tax revenue leakages exist. The Authority is addressing this matter through its ongoing restructuring of the organisation and seeking a mandate from Government to collect non-tax revenue (see Strategy on page 15, Outlook on page 18). It is implementing its strategy to build its own financial reserves and minimise the cost of collection which will boost its financial sustainability.
- **Agility in amending tax laws**
  The Authority requires the swift amendment of Lesotho tax laws to timeously respond to the ever-changing world economy. The Legislature must swiftly amend and promulgate new laws which enable the Authority to implement its Automatic Tax Compliance, Tax Modernisation and Non-Tax Revenue projects (see Strategy, page 15). The Authority is building its relationship with stakeholders to address this material issue (see Strategy, Stakeholder Capital page 15).
- **Business continuity dependent on Information Technology (IT) systems and fitness of staff**
  The continuity of services supported by the Authority's IT systems is a critical issue. The Authority continues to move its services online and any weaknesses in its IT infrastructure could affect its services. It is imperative for the Authority to protect itself against this risk.

  The well-being and competence of staff is another critical factor for the Authority's business continuity. Its *Rea Aha* Strategy has introduced fundamental changes to the Authority's structure and way of conducting business, and staff need to adapt to this swiftly. The Authority needs to continuously educate and empower staff to perform in the fast-changing, digital business environment (see Strategy, page 15, and Human Capital page 18).
- **Agile introduction of digital services and Lesotho IT infrastructure capacity**
  The Authority must put in place relevant, up-to-date strategies to support the timely and agile implementation of digital services. The availability of the IT network and infrastructure in Lesotho may be an impediment to the Authority's continued digitalisation; current economic circumstances may not allow for the timely upgrade of the country's IT environment.
- **Remote work**
  The standard of services provided by the Authority could be negatively affected if staff are not able to efficiently work remotely in a pandemic or other circumstances which may necessitate this.
- **Constant political change**
  Political instability in Lesotho may affect the Government's ability to swiftly amend laws which enact new tax policies. The Authority requires agility across Government structures to keep adapting to global economic trends and fulfill its mandate.

Operating Environment

The impact of COVID-19

At the start of the financial year, there were clear indications that the Authority's revenue would be negatively affected as the Lesotho Government imposed a COVID-19 lockdown at the end of March 2020.

The anticipated economic impact led the Authority, in conjunction with the Finance Minister, to revise the revenue target for the period from M7.5 billion to M5.6 billion. The Authority then revised its monthly revenue targets downwards when it became evident that the COVID-19 pandemic would have a significant impact on the economy and that its clients would see their markets contract.

The Authority joined the Government initiative to protect the economy against the negative impact of COVID-19 by introducing a number of measures to support business.

Firstly, it provided a three-month deferment of PAYE and VAT payments in order to support the cash flow of businesses while they were not able to trade or business activities slowed down. The Authority also helped clients with tax arrears by offering them extensive payment plans and expedited refunds for all its clients.

Secondly, the Authority administered the COVID-19 emergency fund which Government established for sectors that were affected by the pandemic, such as retail and rental property. In administering this M50 million fund, it developed the criteria for funding and the process for disbursing the funds. The Authority succeeded in competently managing the fund and accounting for all the money that was allocated.

In order to shield the economy against the COVID-19 storm, the Authority took the additional measure of postponing the tax filing season to the end of September. It developed an interim online filing system which enabled taxpayers to submit their returns by email. The objective was to minimise contact.

OUR NAVIGATION

The operating environment required the Authority to intensify its focus on the resilience of the organisation. It implemented the Business Continuity Management Process that constituted EXCO as a crisis committee which continuously monitored the operating environment and evaluated the Authority's business processes to ensure that it was resilient and capable of responding to the pandemic. It also provided support to staff who were affected by the pandemic in order to ensure business continuity.

Our Value-Creating Business Model

The LRA creates value through its restructured organisational framework, which comprises the CG's Office and four divisions. Together, they provide the inputs which are transformed by our integrated activities that enable us to deliver on our mandate through the outcomes of our five Capitals.

Our Capitals

Inputs

SPC

Embodying a servant culture throughout the organisation

Creating a sense of worthy purpose:

449 staff attended counselling sessions

SC

Building internal trust

Building brand recognition and brand respect by external stakeholders:

Rated A3 (high level of corporate reputation) with Company Reputation Index of 4%

HC

Increasing staff motivation

Increasing staff competencies:

M5 million spent on training

45% female representation

IC

Creating a continuous improvement culture

Enhancing delivery channels

Introduced three additional service channels:

Call centre

Instant chat

Online tax clearance certificate

FC

Building financial sustainability

Establishing a culture of voluntary compliance

Revenue collection: 6.4 billion

Cost of collection: 1 loti: 7.0 lisente

Activities

Through strategic planning, supported by risk management and strong governance, the LRA promotes knowledge, skills, expertise, reputation and targeted strategic objectives to implement projects successfully by integrating the activities of our five divisions

CG'S OFFICE – Stakeholder, Marketing and Public Relations; Delivery Unit; Internal Audit; and Governance, Risk and Compliance

CLIENT SERVICES – Frontier Client Services; Priority Client Services; Aggregator Services; General Client Services; Inland Service Centres and Cashiering

CORE OPERATIONS – Registration and Licencing; Refunds Process and Returns; Debt Management; Customs Clearance; Tax Audit; Compliance Risk Management and Intelligence

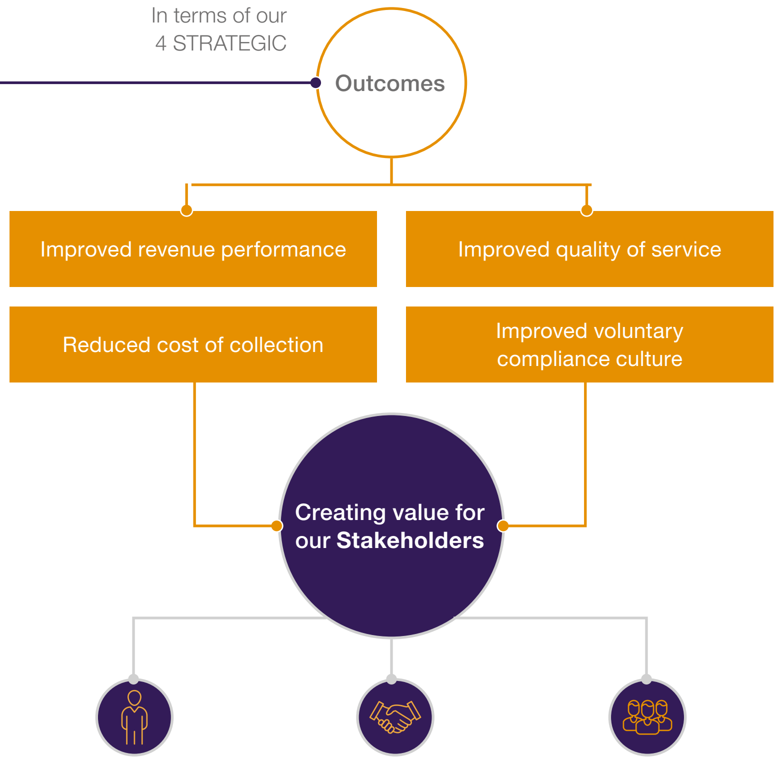
OPERATIONS SUPPORT – Education; Investigations; Information Technology; Technical Advisory Services; Records Management; and Anti-smuggling

BUSINESS ENABLEMENT – Legal Services; Finance; Human Capital Management and Corporate Services

Outputs

To deliver our coherent actions as

- Revised performance management system
- Queue management system and client feedback introduced
- Integrated client-facing processes to provide seamless service
- 500 clients attended the LRA Lekhetho Khotla
- Reduced turnaround time for refund process
- Improved accessibility of services for clients by introducing online and TCC payment referencing tool



SHAREHOLDERS

Ministry of Finance

- Improved revenue performance

M6.4 billion in revenue collected

- Reduced cost of collection ratio 1 loti:7.0 lisente

CLIENTS

- Improved quality of service

Client satisfaction rating of excellence is between 75% and 80%

- Resuscitated Voluntary Disclosure Program (VDP)

EMPLOYEES

- Skills advancement: achieved 73% implementation of the training plan
- Improved workplace environment
- Improved morale and motivation
- Salary review

M5 million spent on training

- 55% female representation

Performance and Strategy

The Authority introduced the five-year *Rea Aha* Strategy in 2018 to improve its leadership culture and build better relationships with its clients. The strategy provides a roadmap for the organisation to build a service culture through collaborative leadership.

In the year under review, the Authority proved that the tax compliance of the business sector improves when it provides the sector with support. The Authority exceeded its revised tax collection target by M714 million and made strides in developing a culture of voluntary tax compliance.

A notable achievement was when the leadership of the Authority extended to the nation, in this challenging time, tax relief measures to clients and contributed to the Government COVID-19 crisis management efforts.

The Authority proved itself to be a corporate citizen that steps up when the situation demands it.

Mid-Term Strategy Review

In the period under review, the Authority continued its mid-term review of the *Rea Aha* Strategy and made several adjustments to it.

Three outcomes of the strategy remained unchanged (reduced cost of collection, improved revenue performance, improved quality of service) and the Authority reviewed the fourth outcome to automatic tax compliance.

This led to the development of a new guiding policy which reads: "Building automatic compliance by harnessing strategic partnerships and developing business acumen." It sets out a plan to leverage big data held by these local institutions to pre-populate tax returns. The aim is to ultimately achieve automatic tax compliance by all clients by March 2023.

In updating its strategy, the Authority considered global trends such as e-commerce and concluded that it is imperative for it to adapt to these trends.

OUR NAVIGATION

The *"Rea Aha"* Journey

The Authority continued its journey of building a service culture through collaborative leadership and made a number of significant achievements against its strategy.

Our Guiding Policy is to:
"Build a *service culture* through *collaborative leadership*"

This strategic approach is a conscious decision to invest in the **5 sources of Capital** which will in turn be used as sustainable sources of **strategic advantage** in achieving our ...

Desired outcomes

1. Improved revenue performance
2. Improved quality of service
3. Reduced cost of collection
4. Improved voluntary compliance culture

Performance Against "Improved Quality of Service" Outcome

In the year under review, the Authority moved away from providing physical services to digital, self-service products to its clients. This was accelerated by the COVID-19 pandemic which had a significant impact on the way the Authority conducts business and its staff approach work.

The key achievements of the digitalisation drive included digitalising tax clearance and private vehicle sale processes. These initiatives brought numerous benefits to the Authority's clients and contributed to its good service ratings for the period. The Authority has started work in introducing new digital channels for the payment of tax refunds as well as a mobile-money initiative for smaller refunds and tax payments. These initiatives are among the online services that will continue to be pursued in the near future.

The Authority received a service rating of excellence between 90% and 95% from its clients in the financial year. This follows the installation of tablets at its service centres to allow clients to make service ratings.

The positive ratings were a result of the introduction of online services and the innovative Queue Management System. The system reduces the amount of time taxpayers spend at the Authority's service centres to complete matters such as VAT 11 and tax clearance certificates.

The Queue Management System has brought about a significant improvement in client service. It provides clients with a consultation on entering service centres to verify that they have the required documents before directing them to the correct department. The Authority's staff has also been trained in customer service and customer care which has enhanced the quality of service they provide to clients.

The COVID-19 pandemic also drove the Authority to encourage online submission of tax returns to prevent its service centres from becoming a COVID-19 infection hub during the filing season.

Performance Against "Improved Revenue Performance" Outcome

In the year under review, the Authority started a journey to becoming a data-driven organisation by adopting more data tools to use in its revenue collection and decision-making.

To clamp down on businesses which evade tax through questionable practices, it significantly built the capacity of its auditors to collect maximum revenue in the growing sectors of the economy. The Authority made good strides in equipping its auditors in the area of transfer pricing with the support of the International Monetary Fund (IMF), building their capacity to collect revenue in the telecommunications, financial services and mining sectors.

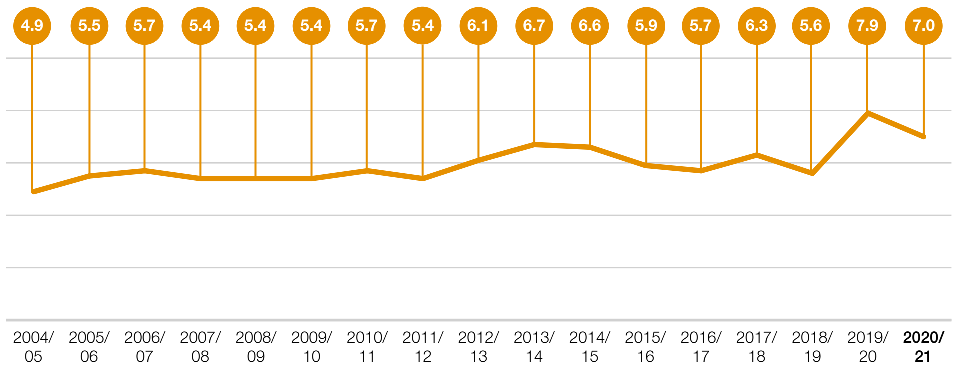
The auditing and compliance risk staff were intensively trained in the workings of the diamond mining industry by an external consultant and succeeded in increasing their capacity in this field. The tax auditors continue to be equipped to effectively interrogate the presentations and financial disclosures of the mining companies.

The Authority engaged tax clearing agents and accountants for the first time to act as its partners in achieving tax compliance. At the end of the financial year, it had reached the stage of concluding Memoranda of Understanding with these new partners.

"Cost of Collection" Outcome

Lesotho's cost of collection, which measures the efficiency of collecting revenue, is high compared to the international benchmark of 1%. The cost of collection showed an upward trend from 4.9 lisente in 2004/05 to 7.0 lisente per loti in 2020/21.

Cost of collection in lisente (local currency)



It, however, declined from 8 lisente to 7.0 lisente in 2019/20. This slight decline in cost of collection is attributable to the following:

- Reduction in the overall Authority budget.
- Due to COVID-19 restrictions, there was no district-to-district travel, leading to low regional audits and customs inspections.
- Implementation of cloud-based solutions, reduction in use of paper – submission of documents through email.
- No more cheques, electronic transfers.
- Payslip printing has been reduced.
- Self-service functionality of leave management and supply chain processes on the cloud-based solution on Oracle System reduced printing and vehicle costs since there was no need to print forms and to transport staff between offices for signature.

Improved Voluntary Compliance Culture

Due to the disruptions caused by COVID-19 which resulted in closure of the offices to contain the spread of the virus, the performance was low under this strategic outcome. We have achieved the following in this reporting period:

- A decline in total number of walk-in enquiries from 44 to six.
- Total number of telephone enquiries was four, which is the same number compared to the previous reporting period.
- The total number of VDP applications received declined from six to two.
- Total number of payment agreements made declined from nine to four.
- All this resulted in a significant drop in total assessment value from M8 862 499.66 to M1 123 859.88.

Investing in Sources of Capital

Spiritual Capital

To build Spiritual Capital within the organisation, the Authority formed a task team comprising staff across the Authority to help promote its vision. The aim is to encourage staff to go beyond the call of duty because they understand and believe in the importance of the Authority's work.

The task team was successful in promoting the Authority's value system of doing things because it's the right thing to do and serve each other as clients. One of the results of this success was the cancellation of the responsibility allowance, which compensated staff for taking on work strictly outside of their scope of work in the past (on the basis that they would be financially rewarded).

To build internal trust in the organisation, the Authority collaborated with staff in drafting proposals for its new organisational structure. To ensure that this was a transparent process, staff were consulted on every step in the restructuring process whereby the objective of the restructuring is to align our organisational structure with the *Rea Aha* Strategy.

The need to maintain social distance and work remotely affected people's ability to connect. This led the Authority to introduce health checks for its staff where they could talk about life and business issues and receive the care and support of their peers and management.

In the period under review, the Authority embarked on a process to change its name and carried out a rebranding exercise. At the time of drafting this report, it had managed to obtain parliamentary approval for the launch of the new name and brand.

OUR NAVIGATION

The Authority believes that the good service scores it has received from clients are an indication of the progress it has made in building a positive brand and increasing its brand equity in the market. At this point, it has collected anecdotal evidence that it is becoming a leader in providing digital services.

Human Capital

In addition to continuing the restructuring of the organisation and the training of staff in customer care, the Authority rolled out an On-boarding Course to new and existing staff to help boost their capabilities and general knowledge of the Authority's business. The course provides staff with a uniform understanding of the tax laws the Authority administers and standard approach to administering its systems.

The On-boarding Course was introduced to address different applications of processes which occurred in the past and made a poor impression on the Authority's clients. About 80% of the Authority's staff completed the course despite the COVID-19 lockdown. The course continues to be rolled out within the organisation.

As part of its efforts to build a service-orientated culture and improve staff motivation, the Authority introduced staff performance management reviews which included behavioural assessments for the first time. The behavioural assessments were made against the criteria of providing vertical and horizontal leadership, which were defined in terms of being approachable and effectively managing superiors and subordinates, among other factors.

To support its management, the Authority introduced a series of round tables where managers completed psychometric assessments which identified their strengths and weaknesses. The sessions were facilitated by an external provider and made a significant impact on how managers deal with staff: it empowered managers to live the Authority's belief that people are intrinsically motivated and management merely needs to tap into this.

Through the abovementioned initiatives, the Authority made strides in achieving behavioural change and fostering a culture of collaboration and sense of belonging. It continues to find ways to motivate staff and build a service-orientated culture.

Social Capital

The Authority's reported measures of supporting its clients and the economy during the pandemic – including extended payment plans for clients who could not honour debt agreements, the deferment of tax payment deadlines and the expedition of tax refunds – all worked together to increase its social capital in the past financial year.

The Authority also assisted stakeholders who experienced disruptions in their supply chains due to the global pandemic to smoothly cross the border or clear their goods. In this effort, it followed a process of prioritising certain goods for import.

The social capital the Authority has built with stakeholders will support its roll out of the Automatic Compliance Project in the period ahead. The Authority will draw on the co-operation and assistance of stakeholders to roll out this initiative effectively.

Innovation Capital

In the year under review, the Authority developed an Innovation Framework to encourage staff to come up with innovative ideas to transform the Authority into an agency that provides digital services and develops fresh ideas.

The Authority implemented innovative processes to improve client services, such as the Queue Management System, online tax clearance and online VAT 11 services.

Financial Capital

The Authority continued to build its financial reserves by aggressively reducing operating costs in the past financial year. By the end of the financial year, it had accumulated M127 million cash reserves, which will greatly assist the Authority to negotiate the tough challenges ahead and realise its strategic objectives.

Its ongoing restructuring will contribute to its financial sustainability since it involves the "right-sizing" of the organisation, reduction of the cost of collection and improvement of revenue collection efficiencies. The past year's staff consultations on the restructuring have been fruitful in the sense that the Authority reached the point of finalising its structure.

The Authority's aim to collect non-tax revenue on behalf of Government will also help to ensure that it increases revenue and manages its financial sustainability effectively, since it will use its existing capabilities to collect revenue from a wider range of revenue types and sources.

Outlook

In the next year, the Authority is expecting serious challenges in the area of revenue collection, which remains its primary mandate. This is due to the negative impact of COVID-19 on most clients.

The SACU revenue pool will be negatively affected by its member countries' diminished international trade in the current economic environment; the Authority must manage this short-term risk by expanding its revenue collection activities and initiatives.

The Authority will take advantage of economies of scale by collecting non-tax levies and fees with the help of its existing technical skills, infrastructure and systems. This is one of the measures it will take to improve its financial sustainability.

The Authority will also step up its efforts to prevent and stop tax leakages in order to reduce the risk it is exposed to.

The Authority will continue its drive to become a data-driven organisation which manages online services. It will work on taking more services, such as registration online, and continue improving its business processes to support this drive.

The digital service offerings to be introduced include e-taxation for its clients and an e-payment gateway that will enable the Authority to view and receive payments in real time. It will also start the roll-out of pre-populated returns in phases, with the first phase covering only a section of clients before expanding the project to cover the full tax net.

These initiatives will support the Authority's strategy of reducing the number of walk-in clients and providing them with digital services that they can access from the comfort of their homes or their mobile phones. The Authority is continuing its transformation to allow clients to easily interact with the organisation.

The Authority will concentrate on collecting revenue from Income Tax and VAT, which it collected in the past, more efficiently in the next year. To realise this objective, it will continue to adapt digital trends and implement the Lesotho Tax Modernisation Project to ensure it has the capacity to enforce automatic compliance. The Authority will roll out this key initiative after engaging with its stakeholders and harnessing their support.

CORPORATE SOCIAL RESPONSIBILITY

To enhance the Authority's contribution as a responsible corporate citizen, the following corporate social investment initiatives were undertaken:

Hlokomela Banana campaign

The Authority continued with its support of the *Hlokomela Banana* campaign by donating M63 474 towards the project. *Hlokomela Banana* (Their freedom, our future) is a campaign sponsored by Queen Masenate Mohato Seeiso that provides free sanitary towels and toiletries to underprivileged girls in high schools across the country. To date, 953 girls from 10 schools have benefited from the initiative.

SAARMSTE International Conference

The LRA sponsored the Southern African Association for Research in Mathematics, Science and Technology Education (SAARMSTE) International Virtual Conference that took place from 12 to 15 January 2021. The conference was organised by the SAARMSTE Lesotho Chapter under the National University of Lesotho (NUL). The purpose of the conference was to support the SAARMSTE Lesotho Chapter in:

- Promoting local research in science, mathematics and technology education;
- Publishing local research findings in journals;
- Organising seminars/workshops/conferences that include live presentations and discussions of research findings;
- Assisting early-stage researchers to develop research skills;
- Facilitating networking among people who share common interests in science, mathematics and technology educational research; and
- Critically analysing and supporting the implementation of IT at all levels of education.

The LRA supported the initiative in line with its strategic focus of building and nurturing mutually beneficial relationships with identified key stakeholders. The LRA has a relationship with the NUL through a Memorandum of Understanding which covers various areas of mutual interest.

BEDCO Virtual Expo 2020

In line with its strategic shift to foster partnerships with relevant stakeholders for mutual cooperation, the LRA supported the BEDCO Virtual Expo 2020. The Virtual Expo is part of BEDCO's market access programme and aims to expose local producers to potential buyers, locally and internationally. The Expo is also expected to develop sales and distribution channels for Micro, Small and Medium Enterprise (MSME) products with the ultimate goal of increasing their sales turnover. Through its sponsorship, the LRA enabled 10 MSMEs to participate in the Expo.

The new pedestrian lanes were introduced at Maseru Bridge Border Post to ease movement

Acknowledgements

I would like to thank the Board of the LRA for its unwavering support throughout the year and for being the partners of the LRA in solving the challenges brought about by the pandemic. The Board's vision and integrated thinking allowed myself and other LRA staff to support the nation as Secretariat and members of the country's COVID-19 task team and to adjust the Authority's strategy according to the dynamic environment.

I would also like to thank the Minister of Finance and the Ministry for allowing the LRA to administer the COVID-19 Emergency Fund and for their support in all the measures we took to navigate and survive this year's challenges.

Our staff also deserve my heartfelt gratitude for continuing to do their job well and ultimately collecting revenue that exceeded our target in the difficult circumstances. They have shown that they already possess the spiritual capital that we are striving to attain.

I would like to relay utmost gratitude towards our clients who have sustained our business during this tough financial year.

Finally, I appreciate the good collaboration and support of stakeholders who continue to help us improve tax compliance.

OUR NAVIGATION

STAKEHOLDER ENGAGEMENT

We understand that as the LRA we cannot fulfil our mandate without regular engagement with our stakeholders on a wide variety of matters pertaining to our ability to collect revenue, labour and workplace issues, legislative and regulatory requirements and compliance on the part of our clients. We exchange views regularly with our stakeholders in order to understand their concerns and make them aware of the issues facing the LRA that affect our ability to deliver on our mandate. We also engage with our stakeholders to obtain feedback on the services we provide.

Who are LRA Stakeholders?

Internal

- Staff
- LERASU
- LRA Board members

External

- Government ministries, including:
  - Government departments
  - District administrators
- Development partners
- NGOs
- Embassies
- Associations
- LRA Business Partnership Forum
- Media
- Telecommunications organisations

Stakeholder Engagement Methods

We communicate with our stakeholders via a variety of channels and platforms, including:

- Invitation letters
- Workshops
- Breakfast, lunch and dinner meetings
- Tax clinics
- Lekhetho Khotla
- Media, including newspapers, television, websites, social media, billboards and radio
- Exhibitions, including educational material
- Surveys

A Customs Officer serving clients at Moshoeshoe I International Airport

INTERNAL AUDIT

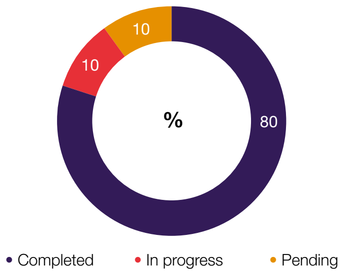
The purpose, authority and responsibility of the Internal Audit Function is defined in the Internal Audit Charter approved by the LRA Board. The approved charter is consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The LRA Internal Audit Function reports functionally to the Finance and Audit Committee and administratively to the highest level within the LRA, being the CG.

The role of the Internal Audit Function is to provide the Board with independent assurance that the control, risk and governance framework that is in place within the LRA is effective and supports the LRA in the achievement of its strategic objectives. The work of the Internal Audit Function is directed towards those areas within the LRA that are the most likely to impact on the LRA's ability to achieve its strategic objectives.

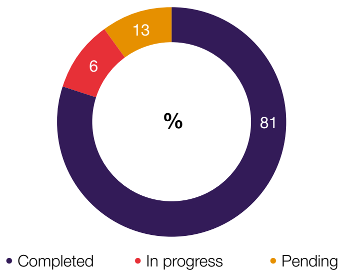
Key operational achievements for the 2020/21 financial year:

- Internal Audit received the full support of the Board and management.
- Internal Audit maintained good relationships with other internal and external assurance providers.
- The Internal Audit risk-based coverage plan was developed and approved by the LRA Board.
- Governance audit on the LRA Board was performed.
- Internal Audit completed the External Quality Review and Improvement programme.
- 80% of assurance and non-assurance activities were completed.
- 81% of assurance or audit activities were completed.
- 75% of non-assurance or non-audit activities were completed.
- 6% of completed assurance activities comprise unplanned assurance activities.
- Internal Audit audited the Forum for VAT Administrators in Africa.
- Average client satisfaction rating was 75%.
- 66% of Internal Audit recommendations were implemented, as agreed with management.

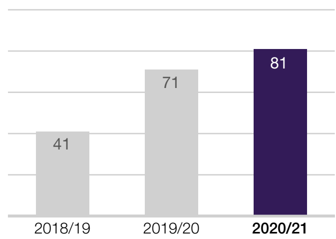
Internal Audit overall performance for 2020/2021 FY



2020/2021 Internal Audit performance on assurance activities

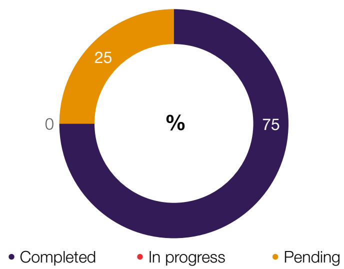


Past three years Internal Audit performance on Assurance activities (%)

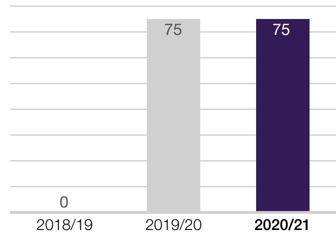


There has been a significant increase in the performance of audits for provision of assurance to the oversight body in the past three years.

2020/2021 Internal Audit performance on Advisory and non-audit activities



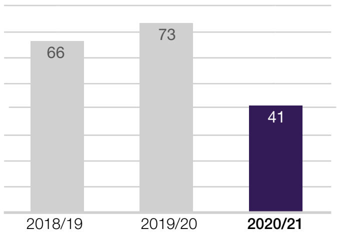
Past three years Internal Audit performance on Advisory and non-audit activities (%)



OUR NAVIGATION

INTERNAL AUDIT continued

LRA performance – Comparison of three-year period (%)



Management has excelled in addressing control weaknesses identified by Internal Audit. However, there has been a decline in the implementation of the agreed activities from 73% in the 2019/2020 financial year to 66% in the 2020/21 financial year. This was caused by the new normal of working from home in the 2020/21 financial year due to the COVID-19 pandemic.

The LRA control environment for 2020/21 on audited processes

Audit opinion	Rating	Audit conclusion	Processes
Major improvement needed		Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives will be met.	**34%** of audited processes
Some improvement needed		A few specific control weaknesses were noted. Generally controls evaluated are adequate, appropriate and effective in providing reasonable assurance that risks are being managed and objectives will be met.	**66%** of audited processes
No improvement needed		No controls weaknesses were noted. Controls evaluated are adequate, appropriate and effective in providing reasonable assurance that risks are being managed and objectives will be met.	**0%**

A Customs Officer verifies a client's declaration at Van Rooyen's Gate

LRA employees engage in sports to enhance teamwork

GOVERNANCE

Our Board

The LRA is governed by a Board comprising representatives from the public, parastatal and private sectors. The Board is appointed by the Minister of Finance in accordance with LRA Act No. 14 of 2001 and sits on a monthly basis.

Role and Function of the Board

The main responsibilities of the Board as set out in the Board Charter, are *inter alia* to:

- Provide effective leadership based on an ethical foundation, which entails:
  - directing the strategy and operations of the Authority to build a sustainable organisation;
  - considering the short- and long-term impact of the Authority's strategy on the economy, society and environment;
  - ensuring that the Authority conducts its business ethically;
  - taking account of the Authority's impact on internal and external stakeholders; and
  - appreciating that stakeholders' perceptions affect the Authority's reputation.
- Approve the strategic plan and annual business plan, setting objectives and reviewing key risks and performance areas.
- Monitor the implementation of business plans and strategies against the socio-economic and political landscape of Lesotho and international political and economic conditions.
- Determine the levels of risk appetite and tolerance as well as the mitigation of risks by management.

Corporate Governance

The Board of Directors is the custodian of corporate governance and is responsible for ensuring that in the pursuit of its strategic goals, the LRA operates within the relevant framework of laws and codes of governance. It is committed to providing effective leadership characterised by the values of responsibility, accountability, fairness and transparency.

The Board as a whole acts as a steward of the LRA and each director acts with intellectual honesty and independence of mind in the best interests of the LRA and its stakeholders. The Board is committed to doing business the right way, according to best practices, guided by the values of integrity, excellence and teamwork.

The Board has ensured that appropriate checks and balances, in the form of established structures such as the Finance and Audit Committee, the Human Resource and Remuneration Committee and the Information, Communication and Technology Committee are in place to help it discharge its responsibilities and ensure compliance with legal and regulatory requirements applicable to the operating environment of the LRA.

The feedback system deployed at LRA Service Centres enables clients to immediately rate the service provided to them

OUR NAVIGATION

Composition of the Board and Board Committees

The following members served on the Board during the year under review:

From 4 November 2020:

Committee Chair
Committee member
FAC Committee
HRRC Committee
ICTC Committee

Mr. Likhang was appointed as the LRA Board Chair from November 2017, which was the second time (having first been appointed in 2002), wherein he was the chair of the Finance and Audit Committee. He is also currently serving on the boards of the Southern African Institute of Chartered Secretaries (Chairman), Lesotho Institute of Accountants (Chairman), and Lesotho Post Bank. He is the Chairman of the drafting committee of the Mohlomi Code (Lesotho's code of good corporate governance). He previously served as a Board member for SADC Development Finance Resource Centre (Botswana) and Lesotho National Development Corporation.

Mr. Likhang has extensive experience in governance, strategy and finance, being a chartered secretary, chartered global management accountant, and chartered accountant. He runs a professional services firm providing accounting, consulting and training services in Lesotho.

– Mr. R Likhang –

Chairman of the Board

Mr. Phakoe was appointed as the member of the LRA Board from November 2017 (which is his second time after serving part term on the fourth Board). Mr. Phakoe has extensive experience in financial markets and risk management and is currently working as a Director of Financial Markets at the Central Bank of Lesotho. Within the Board, Mr. Phakoe is also serving on the Human Resource and Remuneration Committee as the Chairperson as well as in the Finance and Audit Committee.

– Mr. B Phakoe –

Deputy Chairman

Mr. Mokaoane was appointed as the LRA Board member from November 2017. He is also the Chair of the Finance and Audit Committee. He is serving on the Board of Lesotho Institute of Accountants, and also chairs the Audit and Risk Committee of the Institute. Mr. Mokaoane has extensive experience in finance, having worked in that field for the past 19 years, and being a chartered accountant. He is currently working as the Chief Finance Officer for Lesotho Highlands Development Authority. He previously worked in WASA (currently WASCO) and the Office of the Auditor General.

– Mr. L Mokaoane –

Board member

Mrs. Leisanyane was appointed as the Deputy Chair of the LRA Board from November 2017. She also serves on the Board of the Lesotho Petroleum Fund. She previously served in the Council of Lerotholi Polytechnic where she was also Chair of the Audit and Risk Committee. Mrs. Leisanyane has extensive experience in economics, statistics and corporate governance. She is currently working as Acting Director, Department of Macroeconomic Policy and Management in the Ministry of Finance.

– Mrs. L Leisanyane –

Board member

3 female | 5 male

8 Board | 1 EXCO

97% Board attendance

Board member tenure

1–3 years	4–6 years	7–9 years	>9 years
5	6	0	1

Advocate Sephomolo KC is the Chief Executive Officer of the Association of Lesotho Employers and Business. She was appointed as a member of the LRA Board from 2015 and during that period she served as the Chairperson of the Human Resource and Remuneration Committee. She is currently serving on two Board committees, namely Information and Communication Technology Committee (ICTC) and Human Resource and Remuneration Committee (HRRC). She is an advocate of the Courts of Lesotho, a specialist in Labour Law, a seasoned negotiator and policy specialist with over 23 years' post legal qualification. She has received national recognition and has been appointed King's Counsel. She is passionate about business development and trade. Her postgraduate studies include courses in the area of labour law, trade and policy, lobbying and advocacy and corporate governance. Previously Adv. Sephomolo worked as the first Chief Executive Officer of the Private Sector Foundation and has also been advisor to the Ministry of Trade and Industry where she was responsible for the establishment of the One Stop Business Facilitation Centre. She is an active spokesperson of employers

– Adv. L Sephomolo KC –

Board member

Mrs. Mojela was appointed as the member of the LRA Board from 2015, during that period she served as a committee member of both the Finance and Audit Committee (FAC) and Human Resources Remuneration Committee (HRRC). She is serving her second term as a Board member of the LRA. Mrs. Mojela was also a Chairperson of the BEDCO Board of Directors. She has extensive experience in trade and industrial development issues, and has previously worked as a business counsellor at Lesotho Manufacturers Association. She is currently working as the Director of Industry within the Ministry of Trade and Industry.

– Mrs. T Mojela –

Board member

Mr. Ramolise was appointed as the member of the LRA Board from November 2017, within which he is the Chairman of the Information and Communication Technology Committee as well as a member of the Finance and Audit Committee. He is also serving on the Board of WASCO as the Chairman, and the Board of Tloutle Holdings as the Deputy Chairman. Mr. Ramolise is an economist and accountant by training, an experienced financial markets expert, a risk practitioner, a banker and business development expert. He is an economist of the Lesotho Chamber of Commerce & Industry.

– Mr. C Ramolise –

Board member

Mr. Khasipe, Commissioner General of the LRA, obtained a bachelor's degree in Economics at the National University of Lesotho before enrolling at the University of Nairobi (Kenya) where he graduated with a Master's Degree in Economics. He also obtained an MBA from the University of the Free State in 2008. He then enrolled for the CFA Chartered Exam which he successfully passed in 2013.

Mr. Khasipe joined the LRA as Commissioner of Customs and Excise in 2003 and was later appointed to the position of Deputy Commissioner General, serving in the position from 2004 to 2007. He also acted in the position of Commissioner General for a period of one year. He then joined Stanlib Lesotho as General Manager from 2007 to 2008.

He was the Lesotho's Ambassador to both Kuwait and Egypt from 2008 to 2014 before joining DAvCap as Managing Director from 2014 to 2015. His last appointment, before joining LRA, was to the post of Deputy Executive Secretary at Southern African Customs Union Secretariat in Namibia.

– Mr. T Khasipe (CFA) –

Commissioner General

OUR NAVIGATION

The Executive Management Committee

The following members served on the Executive Management Committee during the year under review:

From 4 November 2020:

Mrs. Mathabo Mokoko is an admitted Advocate of the High Court and Court of Appeal of Lesotho. She graduated with Bachelor of Laws at the University of Lesotho and also Masters of Taxation at University of Pretoria. She has worked previously as a Practising Advocate at a private law firm, taught Taxation as a part-time lecturer at the University of Lesotho. She has also served in a number of roles at the LRA, first as the Legal Officer, Legal Officer Law Interpretation and as a Senior Manager – Policy Procedures and Law Interpretation. She worked at the United Nations Head Quarters in New York as the Inter-Regional Advisor on International Tax Matters. She also served as the Head Legal and Board Secretary at the Water and Sewarage Company in Lesotho. She worked for Vodacom Lesotho as the Manager Legal Affairs and later as the Company Secretary. She has now joined the Authority as the Commissioner Operations Support.

– Mrs. M Mokoko –

Commissioner Operations Support

Mrs. Mopeli, Commissioner Core Operations, holds a BCom degree from the National University of Lesotho. She also holds designations of Chartered Public Relations Practitioner (CPRP) by the Public Relations Institute of Southern Africa, a Certified Director of the Institute of Directors in South Africa (IoDSA) and a General Accountant with the Lesotho Institute of Accountants, currently also pursuing the MCom in Development Finance at the University of Cape Town's Graduate School of Business. Mrs. Mopeli joined the Authority in 2013 as the Chief Corporate Services Officer. She previously acted in the position of Chief Executive (National AIDS Commission) for three years, and held positions of: Director Finance and Corporate Services (National AIDS Commission), Management Accounting Manager (Lesotho Electricity Company), Financial Controller (Road Fund), Capital Projects Accountant (Maseru City Council), Finance Associate (UNFPA) and Senior Accounts and Administration Officer (Highlands Water Venture). A self-proclaimed life traveller in the leadership journey and a T-Shaped professional across a spectrum of sectors and different functional areas. As part of her governance competence, she served the Lesotho Highlands Development Authority and the Metolong Authority Board of Directors as a member of the Finance and Audit Sub-Committee. She continuously reinvents herself through professional memberships and challenges herself in territories such as playing golf and playing the alto saxophone.

– Mrs. M Mopeli –

Commissioner Core Operations

Mr. Obet 'Nete is a Chartered Accountant South Africa, (CA(SA)). He graduated with a Bachelor of Science at the National University of Lesotho. He graduated with Master of Commerce (South African and International Taxation) at the University of Johannesburg, BCom Honours (Accounting) at Rand Afrikaans University (now University of Johannesburg) and BCom (Accounting) at the University of Cape Town. After completing his science degree, he worked as a maths and science teacher for three years at Emmanuel High School in Leribe, Lesotho. As a requirement for CA(SA) accreditation, he served the South African Institute of Chartered Accountants, TOPP, articles with Standard Bank Group for three years and was also sent on a three-month secondment to Standard Bank London during the period.

He had worked as a tax manager for STANLIB Ltd. He worked for Standard Bank Group in senior finance roles in Lesotho and Standard Bank Africa Head Office in Johannesburg for over eight years. He then joined the Standard Bank South Africa, Personal and Business Banking credit division as senior credit manager responsible for the Diners Club personal credit portfolio. He was appointed as Head of Finance for Liqhobong Mine in August 2016 and joined the Authority on 11 November 2019 as Commissioner Business Enablement Division.

– Mr. O 'Nete –

Commissioner Business Enablement

Mr. Mosuoe Mapetla graduated with a BEng (Hons) in Chemical and Bio-Process Engineering from the University of Bath, UK and later achieved a Master of Business Administration (MBA) from the University of Cape Town. He has previously worked as an Analyst and Senior Analyst in Research and Development at Lesotho Pharmaceutical Corporation. He later joined Maluti Mountain Brewery, serving as Sales and Marketing Director and subsequently as Corporate Affairs Director. He also worked at Telecom Lesotho and Econet Telecom Lesotho, serving in commercial roles spanning Sales, Marketing, Customer Services and Community Affairs.

He served as Managing Director of Loti Brick from June 2018 to September 2019, before joing the Authority as Commissioner Client Services on 1 October 2019. He is also an independent Non-Executive Director of Metropolitan Lesotho. He enjoys sports, current affairs, business strategy and is also an avid collector of mainstream jazz music.

– Mr. M Mapetla –

Commissioner Client Services

Van Rooyen's Gate

OUR NAVIGATION

Board Meeting Attendance 2020/21

The sixth and seventh LRA Board meeting attendance record for the year 2020/21

Date	Mr. R Likhang (Chairman)	Mrs. L Leisanyane	Mr. L Mokaoane	Mr. B Phakoe	Mr. C Ramolise	Adv. L Sephomolo KC	Mrs. T Mojela	Mr. T Khasipe (CG)	Mrs. M Mokoko (Acting CG)
16 April 2020 (special meeting)	✓	✓	✓	✓	✓	✓	✓	✓	
30 April 2020	✓	✓	✓	✓	✓	✓	✓	✓	
4 June 2020	✓	✓	✓	✓	✓	✓	✓	✓	
25 June 2020	✓	✓	✓	✓	✓	✓	✓	✓	
29 June 2020 (special meeting)	✓	✓	✓	✓	✓	✓	✓	✓	
30 July 2020	✓	✓	✓	✓	✓	✓	✓	×	✓
5 August 2020 (special meeting)	✓	✓	✓	✓	✓	✓	✓	×	✓
27 August 2020	✓	✓	✓	✓	✓	✓	✓	×	✓
24 September 2020	✓	✓	✓	✓	✓	✓	✓	×	✓
30 September 2020 (special meeting)	✓	✓	✓	✓	✓	✓	✓	×	✓
4 October 2020 (executive session meeting)	✓	✓	✓	✓	✓	✓	✓	×	✓
7 October 2020 (executive session meeting)	✓	✓	✓	✓	✓	✓	✓	×	✓
29 October 2020	✓	✓	✓	✓	✓	✓	✓	×	✓
26 November 2020	✓	✓	✓	✓	✓	✓	✓	✓	
10 December 2020 (special meeting)	✓	✓	✓	✓	✓	✓	✓	✓	
17 December 2020	✓	✓	✓	✓	✓	✓	✓	✓	
28 January 2021	✓	✓	✓	✓	✓	✓	✓	✓	
25 February 2021	✓	✓	✓	✓	✓	✓	✓	✓	
25 March 2021	✓	✓	✓	✓	✓	✓	✓	✓	
Total meetings	**19**	**19**	**19**	**19**	**19**	**19**	**19**	**19**	**8**
Attendance	19	19	19	19	19	19	19	11	8 (As Acting CG)
Apologies	None	None	None	None	None	None	None	8 (on account of authorised absence of Mr. Khasipe from the LRA to serve at NACOSEC)	None

Finance and Audit Committee of the sixth and seventh Board

Meeting attendance record for the year 2020/21

Date	Mr. L Mokaoane (Chairman)	Mrs. L Leisanyane	Mr. B Phakoe	Mr. C Ramolise	Mr. T Khasipe (CG)	Mrs. M Mokoko (Acting CG)
23 April 2020	✓	✓	✓	✓	✓	
18 June 2020	✓	✓	✓	✓	✓	
23 July 2020	✓	✓	✓	✓	×	✓
20 August 2020 (special meeting)	✓	✓	✓	✓	×	✓
17 September 2020 (special meeting)	✓	✓	✓	✓	×	✓
22 October 2020	✓	✓	✓	✓	×	✓
21 January 2021	✓	✓	✓	✓	✓	
18 March 2021	✓	✓	✓	✓	✓	
19 March 2021	✓	✓	✓	✓	✓	
Total meetings	**9**	**9**	**9**	**9**	**9**	**4**
Attendance	9	9	9	9	5	4 (As Acting CG)
Apologies	None	None	None	None	4 (on account of authorised absence of Mr. Khasipe from the LRA to serve at NACOSEC)	None

OUR NAVIGATION

Human Resource and Remuneration Committee of the sixth and seventh Board

Meeting attendance record for the year 2020/21

Date	Mr. B Phakoe (Chairman)	Adv. L Sephomolo KC	Mrs. T Mojela	Mr. Lefu Mokaoane	Mr. T Khasipe (CG)	Mrs. M Mokoko (Acting CG)
24 April 2020	✓	✓	✓	✓	✓	
22 July 2020	✓	✓	✓	✓	×	✓
19 August 2020 (special meeting)	✓	✓	✓	✓	×	✓
4 October 2020 (executive session meeting)	✓	✓	✓	✓	×	✓
21 October 2020	✓	✓	✓	✓	×	✓
	Adv. L Sephomolo KC (Chairman)	**Mr. B Phakoe**	**Mrs. T Mojela**	**Mr. Lefu Mokaoane**	**Mr. T Khasipe (CG)**	
10 December 2020 (special meeting)	✓	✓	✓	✓	✓	
20 January 2021	✓	✓	✓	✓	✓	
Total meetings	**7**	**7**	**7**	**7**	**7**	**4**
Attendance	7	7	7	7	3	4 (As Acting CG)
Apologies	None	None	None	None	4 (on account of authorised absence of Mr. Khasipe from the LRA to serve at NACOSEC)	None

Information and Communications Technology Committee of the sixth and seventh Board

Meeting attendance record for the year 2020/21

Date	Mr. CJ Ramolise (Chairman)	Mrs. L Leisanyane	Adv. L Sephomolo KC	Mrs. T Mojela	Mr. T Khasipe (CG)	Mrs. M Mokoko (Acting CG)
23 April 2020	✓	✓	✓	✓	✓	
21 July 2020	✓	✓	✓	✓	×	✓
27 July 2020 (special meeting)	✓	✓	✓	✓	×	✓
20 October 2020	✓	✓	✓	✓	×	✓
19 January 2021	✓	✓	✓	✓	✓	
Total meetings	**5**	**5**	**5**	**5**	**5**	**3**
Attendance	5	5	5	5	2	3 (As Acting CG)
Apologies	None	None	None	None	3 (on account of authorised absence of Mr. Khasipe from the LRA to serve at NACOSEC)	None

MANAGING RISK

Our risk management function falls within the office of the CG. The risk management process is a step in all of the processes of the Authority, from strategy to process level. All staff in the LRA manage risks in their respective areas of responsibility. The Authority has functions that contribute to the risk management process at different levels and areas of the organisation. These include:

- Governance Risk and Compliance department;
- Compliance Risk Management department;
- Security and Surveillance Function; and
- Health and Safety Section.

Our Risk Management Framework

The LRA risk management framework consists of:

- Risk management governance and operational structures;
- Risk management policy;
- Risk management process including Business Continuity; and
- Risk registers and risk reports.

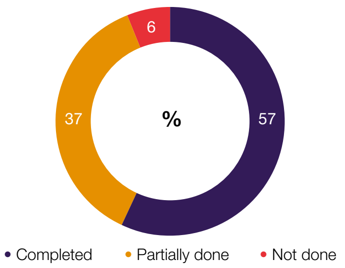
Our Risk Governance Structures Include:

- The Finance and Audit Committee (FAC) of the Board which provides oversight on effective management of the LRA risks;
- The Executive Committee (EXCO), which implements the risk management framework; and
- Divisional Management Teams who manage operational risks.

Progress Against the Risk Register

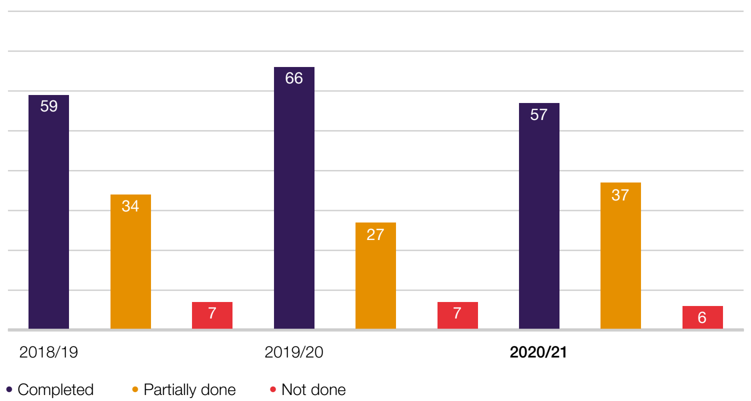
The year under review was the last year of implementation of the first version of the *Rea Aha* Strategy. Every quarter a report is issued to the Finance and Audit Committee of the Board on the progress with the implementation of mitigation initiatives. In the last quarter of the year under review, a completion rate of 57% was achieved with 37% partly complete. The completion rate was to some extent affected by a change in strategic direction that required initiatives like the SAS project to change direction and re-work some areas to meet the needs of the new strategy.

2020/2021 Quarter 4 performance



Year-on-year comparison of performance against the corporate risk register mitigation is depicted in the figure below:

Year-on-Year Comparison (%)



The Fight against COVID-19

The Authority operates around the country in delivering its services of revenue collection. These services cannot be interrupted, even in circumstances where a lockdown is imposed due to a global pandemic. The declaration of a state of emergency due to COVID-19 in Lesotho in March 2020 and the enforcement of a total lockdown throughout the country was intended to curb the spread of the virus. However, essential services required some employees to maintain a physical presence at work during the lockdown to keep up services, especially at the border posts.

OUR NAVIGATION

Once COVID-19 was declared a pandemic, the Authority carried out a risk assessment to identify the risks that could arise from it. A risk register was developed which included mitigating activities to manage the risks. The register provided a basis for preparing a quarterly report for the Board on the state of implementation. This was the first step in the Authority's management of the pandemic and its effects.

With many employees still exposed to COVID-19, the Authority had to implement its business continuity programme which ensured the safety of staff, clients and all individuals who came into contact with them. As part of the Enterprise Risk Management Programme, the Business Continuity Programme had been approved in September 2019 to guide operations in a crisis like a pandemic. The anouncement of the pandemic necessitated implementation of the programme.

In the previous report, it was mentioned that three governance structures were established for decision-making, performance tracking and providing support to the Authority's staff and processes. These are:

- the Crisis Management Committee, which provides guidance and decision-making on matters relevant to the pandemic;
- the Business Continuity Management Committee, which oversees the effectiveness and continuity of the critical processes of the Authority; and
- the Emergency Response Team, which acts as the first point of contact in all matters.

These three committees became operational as soon as the state of emergency was declared by the Prime Minister in March 2020. They provided much-needed support and guidance on the ground. At the start of the pandemic, the Authority provided face masks to all staff and face shields for frontline staff. Hand sanitisers were made available in every office for use by staff and clients. Protective screens were installed for staff who provide services to the public. Thermal scanners were also installed at the front lines. Over and above all these the Authority also considered provision of vaccination support for staff.

The Authority also engaged the services of a health professional to improve safety in the organisation for staff by making an assessment of readiness and recommendations on improvements. The doctor travelled across the country to all LRA workstations to determine their status and make recommendations. A report was issued about the state of COVID-19 preparedness of the work stations.

The "toolbox talk" is one recommendation that was implemented and has worked very well for the stations. The talk, which is conducted by the station manager in the morning before work starts, reminds staff of the importance of available tools and processes to protect themselves and their clients. Any new information is shared during these sessions and questions are raised and answered.

During the pandemic, the Authority engaged health representatives in collaboration with the Ministry of Health to assist with implementing the COVID-19 Standard Operating Procedures that were drafted by the Business Continuity Management Committee and approved by the Crisis Management Committee. These procedures provide a step-by-step guidance on how to deal with suspected COVID-19 cases.

During the year under review, the Authority registered 20 confirmed cases of coronavirus infection. Three of these cases were hospitalised while the others recuperated at home. To share knowledge and provide support, the Authority also started a COVID-19 awareness initiative where various people gave talks on COVID-19 to staff.

POTENTIAL IMPACT

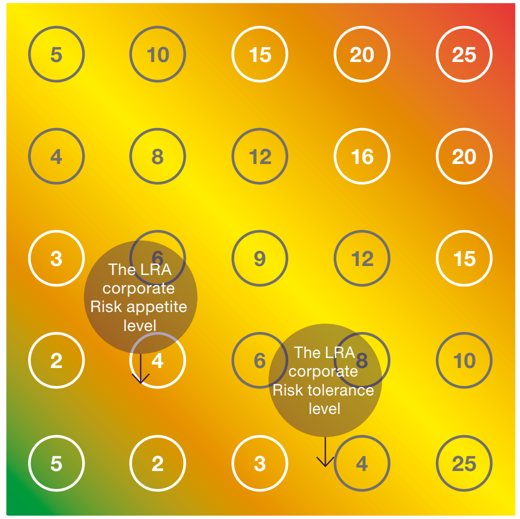
1. Catastrophic Loss of life – zero tolerance, corruption – zero tolerance, cost – over M500k, operations – two or more divisions, human (capacity and capability) – over 10%, stakeholders – over 20%, compliance level – over 20%

2. Critical Cost – M400k–M500k, operations – whole division, human (capacity and capability) – 8%–10%, stakeholders – 10–20%, compliance level – 10%–20%

3. Major Cost – M200k–M300k, operations – two or more sections, human (capacity and capability) – 5%–8%, stakeholders – 8%–10%, compliance level – 8%–10%

4. Significant Cost – M100k–M200k, operations – one section, human (capacity and capability) – 3%–5%, stakeholders – 5%–8%, compliance level – 5%–8%

5. Negligible Cost – below M100k, operations – one unit, human (capacity and capability) – below 3%, stakeholders below 5%, compliance level – below 5%



1–29% once in three years	30–49% once in three years	50–69% once in three years	70–89% once in three years	90–100% once in three years
Very unlikely	**Unlikely**	**Likely**	**Very likely**	**Inevitable**

LIKELIHOOD

Risk Appetite and Tolerance Levels

Risk level and index	Risk magnitude	Risk acceptability	Proposed actions and level of authority: Corporate risk criteria	Operational risk criteria	Projects risk criteria	Taxpayers compliance risk criteria
Level 4 20–25	High risk	Unacceptable risk	Take action to reduce risk with highest priority. Board of Directors and CGs.	Take action to reduce risk with highest priority. CG's and Divisional Heads' attention. Risk might also be escalated to the Corporate Risk Register.	Take action to reduce risk with highest priority. EXCO and Board's attention. Risk might also be escalated to the Corporate Risk Register.	Take action to reduce risk with highest priority. EXCO's attention. Risk might also be escalated to the Corporate Risk Register.
Level 3 12–16	Medium risk	Unacceptable risk	Take action to reduce risk with high priority. CG's and Senior Management's attention.	Take action to reduce risk with high priority. Divisional Heads' and Divisional Management's attention.	Take action to reduce risk with high priority. EXCO's attention.	Take action to reduce risk with high priority. Revenue Management Committee's attention.
Level 2 5–10	Low risk	Unacceptable risk	Take action to reduce risk. Inform senior management.	Take action to reduce risk. Inform Departmental Head.	Take action to reduce risk. Inform Project Steering Committee.	Take action to reduce risk. Inform Compliance Risk Management Committee and relevant Departmental Heads.
Level 1 1–4	Negligible risk	Acceptable risk	No risk reduction. Maintain current controls, monitor, inform management.	No risk reduction. Maintain current controls, monitor, inform Sectional Head.	No risk reduction. Maintain current controls, monitor, inform Project Steering Committee.	No risk reduction. Maintain current controls, monitor, inform Compliance Risk Management Committee.

Legend

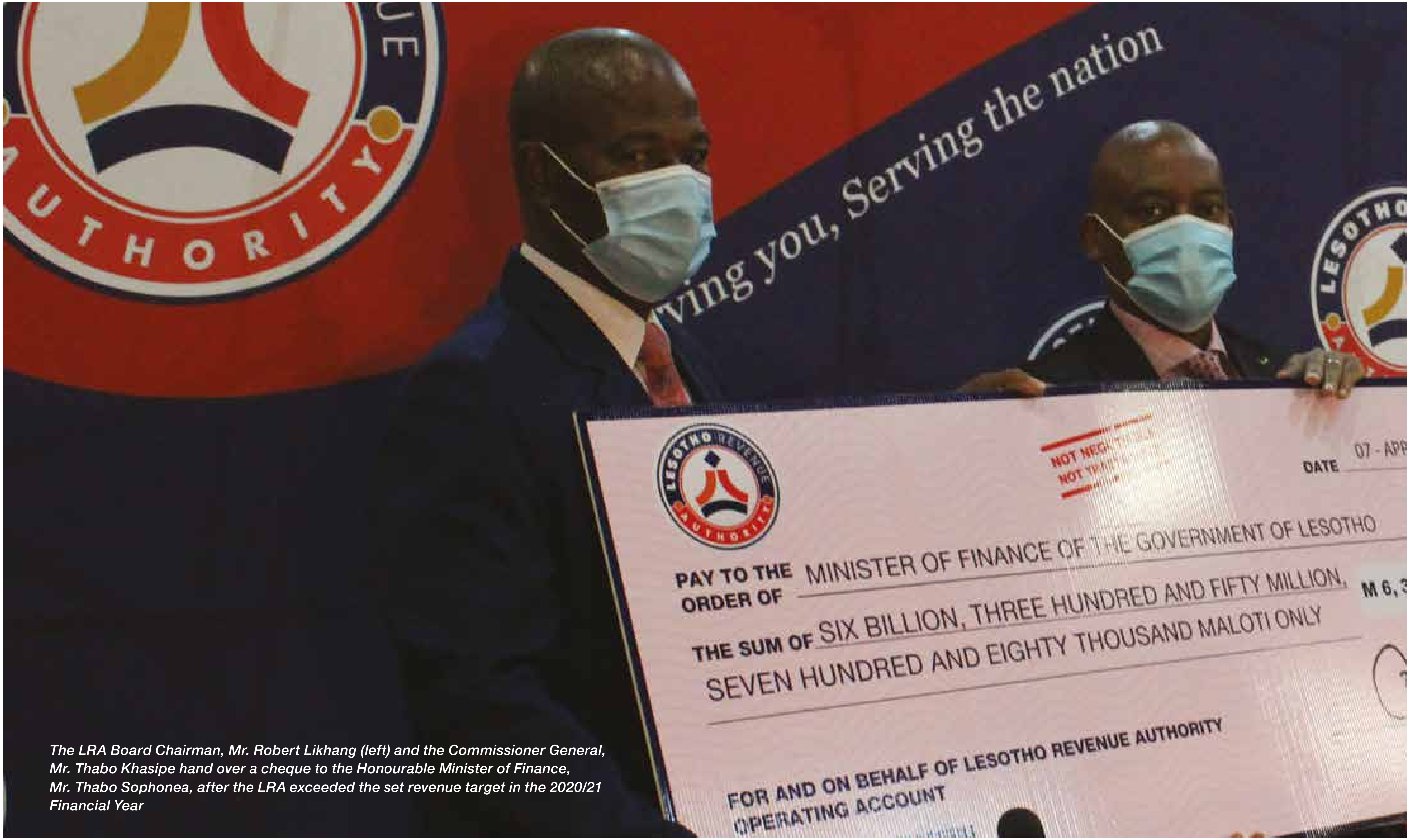
Risk magnitude

High risk | Medium risk | Low risk | Negligible risk

Risk acceptability

Unacceptable risk | Acceptable risk (Risk tolerance and appetite level)

OUR NAVIGATION



The LRA Board Chairman, Mr. Robert Likhang (left) and the Commissioner General, Mr. Thabo Khasipe hand over a cheque to the Honourable Minister of Finance, Mr. Thabo Sophonea, after the LRA exceeded the set revenue target in the 2020/21 Financial Year

FINANCIAL STATEMENTS

OUR NAVIGATION

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board of Directors of the LRA is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the Board's responsibility to ensure that the financial statements fairly present the state of affairs of the LRA at the end of the financial year and the results of its operations and cash flows for the year then ended, and in conformity with IFRS and in the manner required by the LRA Act No. 14 of 2001.

The financial statements are prepared in accordance with the IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Directors acknowledges that it is ultimately responsible for the system of internal controls established by the LRA and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the LRA and all employees are required to maintain the highest ethical standards in ensuring the LRA's business is in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the LRA is on identifying, assessing, managing and monitoring all known forms of risks across the LRA. While operating risk cannot be fully eliminated, the LRA endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviors are applied and managed within predetermined procedures and constraints.

The Board is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial control can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board has reviewed the LRA's cash flow forecast for the year to 31 March 2022 and is satisfied that the LRA has access to adequate resources to continue in operational existence for the foreseeable future. This is based on the understanding that the Minister of Finance will secure adequate funding for the LRA to meet its operational needs. The external Auditors are responsible for independently reviewing and reporting on the LRA's financial statements.

The financial statements set out on pages 35 to 63 which have been prepared on the going concern basis, were approved by the Board of Directors on 29 July 2021 and signed on its behalf by:

Board Chairman

Commissioner General

DIRECTORS' REPORT

1. Nature of Business

The LRA is a semi-autonomous statutory body established by an Act of Parliament in terms of the LRA Act No. 14 of 2001. The LRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax. The LRA therefore collects inland Taxes, duties and excise on behalf of the GOL and transfers the said to the GOL on a weekly basis.

For financial reporting purposes, the financial statements of the LRA are reported as LRA Own Accounts. The LRA Own Accounts cover those operational revenues, such as funding received from Government, which are managed by LRA and utilised in running the organisation. The amounts in the collection accounts which were not transferred to the GOL accounts as at 31 March 2021 are included as part of cash and cash equivalents and as liability i.e. amounts to be remitted to GOL. The purpose of the distinction is to facilitate, among other things, the assessment of the administrative efficiency of LRA in achieving its mandate.

2. Financial Performance

The recurring expenditure for the year amounted to M444 147 288 (2020: M445 278 245). The Authority incurred capital expenditure of M34 420 842 (2020: M43 084 504) on property, plant and equipment. Full details of the financial results are set out on pages 35 to 63.

3. Cash Flow for the Year

Own cash and cash equivalents at the end of the financial year were M573 991 636 million (2020: M193 699 301 million). A detailed Statement of Cash Flows is on page 45.

4. Transfer of Fixed Assets to the Authority by Government

In terms of the Memorandum of Understanding between the Government of Lesotho (Ministry of Finance) and the LRA provided for the transfer of all assets (non-movable and movable) free of charge, previously held by the Departments for Customs and Excise, Sales Tax and Income Tax to the LRA. These assets have been revalued by Lethola Cost Associate.

5. Corporate Governance Issues

Corporate governance

In compliance with good corporate governance principles, the Authority has operated and maintained the following Board Committees: Audit Committee, Finance and Tender Committee, Human Resource and Ethics Committees which remained effective throughout the accounting period.

Social responsibility

The Authority is totally committed to putting back into the community it serves. This is done through the implementation of its Corporate Social Responsibility programme.

OUR NAVIGATION

DIRECTORS' REPORT
CONTINUED

6. Board Members

The Board members are appointed by the Minister of Finance. The following members served on the Board during the year under review:

From 1 April 2020 to 3 November 2020

A. FULL BOARD

Chairman:	Mr. Robert Likhang
Deputy Chair:	Mrs. Libako Lesisanyane
Member:	Mr. Lefu Mokaoane
Member:	Mr. Bohlale Phakoe
Member:	Adv. Lindiwe Sephomolo KC
Member:	Mrs. Tsireletso Mojela
Member:	Mr. Chabeli Ramolise
Commissioner General:	Mr. Thabo Khasipe

B. FINANCE AND AUDIT COMMITTEE

1.	Chair:	Mr. Lefu Mokaoane
2.	Member:	Mrs. Libako Leisanyane
3.	Member:	Mr. Bohlale Phakoe
4.	Member:	Mr. Chabeli Ramolie

C. HUMAN RESOURCE AND REMUNERATION COMMITTEE

1.	Chair:	Mr. Bohlale Phakoe
2.	Member:	Mr. Lefu Mokaoane
3.	Member:	Adv. Lindiwe Sephomolo KC
4.	Member:	Mrs. Tsireletso Mojela

D. INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE

1.	Chair:	Mr. Chabeli Ramolise
2.	Member:	Adv. Lindiwe Sephomolo KC
3.	Member:	Mrs. Tsireletso Mojela
4.	Member:	Mrs. Libako Leisanyane
5.	Advisor:	Mr. Mope Lephoto (1 October 2020 to 30 November 2020)
6.	Advisor:	Mr. Lekulana Kolobe (1 October 2020 to 30 November 2020)

From 4 November 2020

A. FULL BOARD

Chairman:	Mr. Robert Likhang
Deputy Chair:	Mr. Bohlale Phakoe
Member:	Mr. Lefu Mokaoane
Member:	Mrs. Libako Leisanyane
Member:	Adv. Lindiwe Sephomolo KC
Member:	Mrs. Tsireletso Mojela
Member:	Mr. Chabeli Ramolise
Commissioner General:	Mr. Thabo Khasipe

B. FINANCE AND AUDIT COMMITTEE

1.	Chair:	Mr. Lefu Mokaoane
2.	Member:	Mr. Bohlale Phakoe
3.	Member:	Mrs. Libako Leisanyane
4.	Member:	Adv. Lindiwe Sephomolo KC

C. HUMAN RESOURCE AND REMUNERATION COMMITTEE

1.	Chair:	Adv. Lindiwe Sephomolo KC
2.	Member:	Mr. Bohlale Phakoe
3.	Member:	Mrs. Tsireletso Mojela
4.	Member:	Mr. Chabeli Ramolise

D. INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE

1.	Chair:	Mr. Chabeli Ramolise
2.	Member:	Mr. Lefu Mokaoane
3.	Member:	Mrs. Tsireletso Mojela
4.	Member:	Mrs. Libako Leisanyane
5.	Advisor:	Mr. Mope Lephoto
6.	Advisor:	Mr. Lekulana Kolobe

7. Bankers

The following financial institutions were the bankers of the Authority during the year:

Business address	Postal address
Standard Lesotho Bank	Lesotho Bank Building Kingsway Maseru
Nedbank	Head Office 115–117 Griffith Hill Kingsway Street PO Box 1001 Maseru 100
First National Bank	Pioneer Road Maseru
Lesotho Post Bank	Post Office Building Kingsway Road Maseru Lesotho

8. Investment Manager

The following financial institution was the investment manager of the Authority during the year:

Business address
Stanlib Lesotho
Ground Floor
MCG Office Park

9. Business and Postal Address of the Authority

Ground Floor
Government Complex
Maseru
Lesotho

10. Auditor

The auditor of the Authority are:

New Dawn Chartered Accountants on behalf of the Auditor General of Lesotho
Thetsane Office Park
2nd Floor
Thetsane Industrial Area

PO Box 15369
Maseru, 100
Lesotho

OUR NAVIGATION

REPORT OF THE AUDITOR-GENERAL ON THE AUDITED FINANCIAL STATEMENTS OF THE LESOTHO REVENUE AUTHORITY

FOR THE YEAR ENDED 31 MARCH 2021

Opinion

New Dawn Chartered Accountants, under Section 24(1) of the Audit Act 2016, have audited the financial statements of the LRA (the Authority) set on pages 35 to 63, which comprise the Statement of Financial Position as at 31 March 2021, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2021, and its Financial Performance and Cash Flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the requirements of the LRA Act, 2001.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. There were no key matters identified during the course of the audit.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Monica M Besetsa (Ms)
Acting Auditor-General

OUR NAVIGATION

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	March 2021 M	March 2020 M
ASSETS			
Tangible assets			
Property, plant and equipment	2.1	**250 572 327**	226 556 106
Intangible assets			
Software	2.2	**–**	20 343 208
Right-of-use assets			
Rented property	2.3	**11 593 904**	–
Current assets			
Accounts receivable	3	**1 006 316**	55 301 862
Bank and cash	4	**133 853 689**	10 215 135
Collections bank account balances	5	**440 137 946**	183 484 165
Total current assets		**574 997 951**	249 001 162
Total assets		**837 164 182**	495 900 476
CAPITAL AND LIABILITIES			
Capital and reserves			
Accumulated surplus		**85 257 645**	44 102 673
Total capital and reserves		**85 257 645**	44 102 673
Non-current liabilities			
GOL projects funding (grants)	6	**147 424 668**	172 709 813
Trust account	7	**4 400 929**	3 790 094
Provisions for terminal benefits	8.1	**51 456 657**	35 886 132
Payable to bank	9	**–**	1 354 705
LTMP AfDB	9	**50 311 985**	27 659 544
Right-of-use liability	9	**11 593 904**	–
		265 188 143	241 400 288
Current liabilities			
Provision for leave pay	8.2	**4 031 644**	9 396 376
Collections account balances remitable	5	**440 137 946**	183 484 165
Accounts payable and accruals	11	**42 278 169**	16 091 770
Payable to bank	10	**270 635**	1 425 205
Total current liabilities		**486 718 394**	210 397 516
Total capital and liabilities		**837 164 182**	495 900 476

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	March 2021 M	March 2020 M
INCOME			
Government funding		**437 577 085**	413 408 262
Interest received		**4 736 355**	2 844 950
Toll gate fees income		**1 373 393**	4 230 075
Storage income		**336 808**	350 347
Commission received		**275 649**	263 100
Other income		**54 894**	401 887
Amortisation project funds		**28 625 655**	31 392 344
Total income		**472 979 839**	452 890 966
EXPENDITURE			
Staff-related expenses		**334 914 732**	299 155 055
Administration expenses		**100 257 970**	129 825 202
Compliance costs		**2 903 145**	9 624 153
Vehicle running costs		**6 071 441**	6 673 835
Total expenditure		**444 147 288**	445 278 245
Surplus for the period		**28 832 551**	7 612 721

OUR NAVIGATION

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Accumulated surplus M
Balance as at 31 March 2018		68 113 063
Prior year adjustment		147 877
Deficit for the period		(33 219 690)
Balance as at 31 March 2019		35 041 250
Prior year adjustment		1 448 702
Surplus for the period		7 612 721
Balance as at 31 March 2020		**44 102 673**
Prior year adjustment	16	**12 322 422**
Surplus for the period		**28 832 551**
Balance as at 31 March 2021		**85 257 645**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	March 2021 M	March 2020 M
Cash flows from operating activities			
(Deficit)/surplus for the year		**28 832 551**	7 612 721
Adjustments for item not involving cash movement			
Interest (received)/paid		**(4 736 355)**	(2 844 950)
Depreciation		**30 472 615**	37 919 382
(Decrease)/increase in provisions		**10 205 793**	10 166 596
Prior year adjustments	16	**12 322 422**	1 448 702
(Gain)/loss on fixed asset disposal		**(17 257)**	(315 213)
Surplus/(deficit) before changes in working capital		**77 079 769**	53 987 238
(Increase)/decrease in accounts receivable		**54 295 545**	(53 217 604)
(Decrease)/increase in accounts payable		**48 838 840**	5 764 194
(Decrease)/increase in collection accounts		**256 653 781**	(4 645 255)
Net cash inflow from operating activities		**436 867 936**	1 888 573
Cash flows from investing activities			
Interest received		**4 736 355**	2 844 950
Purchase of property, plant and equipment		**(34 420 843)**	(43 084 504)
Movement from PPE to operating costs		**275 216**	257 877
Proceeds on disposal of assets		**17 257**	1 246 966
Net cash outflow from investing activities		**(29 392 016)**	(38 734 711)
Cash flows from financing activities			
GOL capital funding		**(25 285 145)**	(28 544 510)
Funds account		**610 835**	681 406
(Decrease)/increase payable to loan		**(2 509 275)**	(3 274 362)
		27 183 584	(31 137 466)
Increase/(decrease) in cash and cash equivalents		**380 292 335**	(67 983 703)
Cash and cash equivalents at beginning of the year		**193 699 301**	261 683 004
Cash and cash equivalents at end of the period		**573 991 636**	193 699 301

OUR NAVIGATION

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2021

1. Business Activity

The LRA is a semi-autonomous statutory body established by an Act of Parliament in terms of the LRA Act No. 14 of 2001. The LRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax. The LRA therefore collects inland taxes, duties and excise on behalf of the GOL and transfers the said to the GOL on a weekly basis.

1.1 Accounting policies

The annual financial statements incorporate the principal accounting policies as per the AFS below:

1.2 Basis of preparation

1.2.1 Statement of compliance

The financial statements are consistent with IFRS, as adopted by the International Accounting Standards Board and in compliance with the LRA Act No. 14 of 2001.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

1.2.3 Functional and presentation currency

These financial statements are presented in Maloti, which is the authority's functional currency. All financial information presented in Maloti has been rounded to the nearest loti.

1.2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

1.2.4.1 Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following note:

- Note 11 – Plant and equipment (useful lives)
- Note 21 – Receivables impairment allowance

1.2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Authority's next financial statements are included in the notes.

1.2.4.3 Measurement of fair value

A number of the Authority's accounting policies and disclosures requite the measurement of fair values, for both financial and non-financial assets and liabilities. The Authority has established a control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Authority uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level I: Quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: Inputs other than quoted prices included under Level I that are observable for the asset or liability, either directly (i.e. As prices) or indirectly (i.e. Derived from prices).

Level 3: Inputs from assets and liabilities that are not based on observable market data (on-observable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about assumptions made in measuring fair values is included in note 15.5.

1.3 Adoption of standards in future financial periods

(a) New standards, amendments and interpretations which are relevant to the Authority's operations

- **IFRS 16: *"Leases"*** – effective 1 January 2019 and replaces IAS 17. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases.

  The new standard could have a material impact on the Authority's financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income. Early adoption is permitted. The Authority has not yet quantified the potential impact of the new standard on the Authority.

- **IFRS 15: *"Revenue recognition"*** – effective 1 January 2018. IFRS 15 replaces IAS 18: *"Revenue"* and provides a single, principles-based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.

  The new standard could have a material impact on the Authority's financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income. Early adoption is permitted.

- **IFRS 13: *"Fair value measurement"*** – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- **IFRS 9: *"Financial Instruments"*** – effective 1 January 2018 replacing IAS 39. The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument.

  The standard contains new hedge accounting requirements aimed at better aligning the accounting treatment with the risk management strategy. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised.

The new standard could have a material impact on the Authority's financial statements. The Authority has not yet quantified the potential impact of the new standard on the Authority.

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Authority's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Authority's financial statements.

OUR NAVIGATION

1. Business Activity continued

1.3 Adoption of standards in future financial periods continued

(b) New standards, amendments and interpretations which are not relevant to the Authority's operations

- **IFRS 11: *"Joint arrangements"*** – is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- **IAS 27 (revised 2011): *"Separate financial statements"*** – IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- **IAS 19: *"Employee benefits"*** – was amended in June 2011. The impact on the Authority will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).
- **Amendments to IFRS 7: *"Financial instruments: Disclosures"*** – on derecognition – This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- **Amendment to IFRS 1: *"First time adoption"*** – on fixed dates and hyperinflation – These amendments include two changes to IFRS 1: *"First-time adoption of IFRS"*. The first replaces references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- **Amendment to IAS 12: *"Income Taxes"*** – on deferred tax – IAS 12: *"Income Taxes"*, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40: *"Investment property"*. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21: *"Income Taxes – recovery of revalued non-depreciable assets"*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- **Amendment to IAS 1: *"Financial statement presentation"*** – regarding other comprehensive income – The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

1.4 Property, plant and equipment

Owned assets recognition and measurement

Items of property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Authority.

Depreciation

Depreciation is charged to comprehensive income on the straight-line basis over the estimated useful lives of each part of the relevant asset.

Rate of depreciating assets

The rates that assets are depreciated at on a monthly basis are as follows:

Category tangible assets	Useful life (in years)
Motor vehicles	5
Furniture and fittings	10
Office equipment	3 to 7
Specialised equipment	5
Security measures	5 to 10
Bins and containers	5
Emergency equipment	5 to 20
Buildings	50

The residual value, if not insignificant, is re-assessed annually on tangible assets.

Category intangible assets	Useful life (in years)
Software (ETPM and ASY CUDA)	5

Impairment

The carrying amount of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value-in-use.

In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1.5 Financial instruments

Non-derivative financial assets

The Authority initially recognises loans and receivable deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Authority is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

OUR NAVIGATION

1. Business Activity continued

1.5 Financial instruments continued

Non-derivative financial assets continued

The Authority has the following non-derivative financial assets:

Trade and other receivables

Trade and other receivables are financial assets with fixed determinable payments that are not quoted on an active market. Such assets are recognised initially at fair value plus any directly attributed transaction costs. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management are included as part of cash and cash equivalents for the purposes of the Statement of Cash Flows.

Non-derivative financial liabilities

Non-derivative financial liabilities are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Authority has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables, accruals and collection accounts at their nominal value.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably measured.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount owing to the Authority on terms that the Authority would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Authority considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Authority uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance account against receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6 Income

Income comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities.

The Authority recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the Authority and specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income comprises of funds received from the GOL, interest on investments, storage income, grants and commission received during the period. Income is accounted for using the accrual basis of accounting and taking into the terms of relevant agreements. The GOL funded some of the projects which the LRA needed to implement in the current financial year, whereas some needed donor assistance.

1.7 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted.

1.8 Finance income and finance costs

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

1.9 Employee benefits

Short-term employee benefits

The costs of all short-term employee benefits is recognised during the year in which the employee renders related service. The provision for employee entitlements to wages, salaries, and annual sick leave represents the amount which the organisation has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on wage and salary rates.

Long-term employee benefits

The Authority is bound to two long-term benefits:

- The severance pay entitlement provided by Section 79 of the Labour Code 1992.
- The gratuity granted to contract staff on completion of their contracts.

The respective provisions for the above employee entitlements have been accounted for progressively under non-current liabilities at undiscounted amounts.

Gratuity payable within 12 months has been accounted for under current liabilities.

OUR NAVIGATION

1. Business Activity continued

1.10 Foreign currency

Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that date.

The foreign currency differences arising on translation are recognised in profit or loss.

1.11 Border post-refurbishment

These are funds that the GOL has set aside for the refurbishment of other border posts. The money has been deposited into the Authority's accounts as it is the one which is leading the refurbishment project. The refurbishment costs have been capitalised as work in progress in the assets, and the funds received are treated as capital injection.

1.12 Government grant/assistance

Government grants/assistance are recognised when there is reasonable assurance that the entity will comply with the attached conditions, these grants are amortised over the useful live of the respective assets.

Property, plant and equipment acquired from the proceeds of grants are depreciated in accordance with the Authority's property, plant and equipment accounting policy. Grants utilised to acquire property; plant and equipment are initially recognised as deferred grant and subsequently recognised in the Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the assets. Grants received to defray operating expenditure are recognised in the Statement of Comprehensive Income when the expenditure has been incurred.

1.13 Financial risk management

The Board members have overall responsibility for the establishment and oversight of the Authority's risk management framework.

The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Members oversee how management monitors compliance with the Authority's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Authority.

The Authority has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk that one patty to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The LRA is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

- Cash and cash equivalents – all deposits and cash balances are placed with reputable financial institutions.
- Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary.

The Authority does not have significant credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Authority manages its liquidity to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since the Authority is funded through Government subvention, it does not regard the liquidity risk to be high.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority may utilise foreign currencies in its operations and consequently may be exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. However, at year-end there were no significant foreign currency exposures.

Interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash. A 1% increase in interest rates would result in an additional surplus for the year while a decrease in interest rates by a similar margin would result in an equal opposite effect.

1.14 Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Authority determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Authority the right to control the use of the underlying asset.

At inception or upon re-assessment of the arrangement, the Authority separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Authority concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Authority's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Authority substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Authority's Statement of Financial Position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line-basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance element is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

OUR NAVIGATION

2. Property, Plant and Equipment

2.1 Tangible assets

	2021			2020		
Owned assets	**Cost M**	**Accumulated depreciation M**	**Carrying amount M**	Cost M	Accumulated depreciation M	Carrying amount M
Land	60 496 390	–	60 496 390	60 496 390	–	60 496 390
Motor vehicles	11 121 844	(7 940 199)	3 181 645	14 171 365	(11 649 374)	2 521 991
Furniture and fittings	14 171 365	(12 208 852)	1 962 513			
Office equipment	61 496 021	(55 019 711)	6 476 309	61 400 732	(53 143 705)	8 257 027
Specialised equipment	38 582 980	(34 724 682)	3 858 298	38 582 980	(31 783 649)	6 799 332
Security measures	1 533 004	(947 828)	585 176	1 533 004	(702 096)	830 908
Buildings	144 320 869	(68 906 432)	75 414 438	144 320 869	(66 655 232)	77 665 637
Bins and containers	544 779	(544 779)	–	544 779	(544 779)	–
Emergency equipment	6 258 526	(5 110 689)	1 147 837	5 373 946	(4 546 118)	827 828
Managed assets						
Work-in-progress						
Border refurbishment	4 923 749	–	4 923 749	4 546 113	–	4 546 113
IRMS (EDRMS and data cleansing)	–	–	–	–	–	–
DCS customs	–	–	–	–	–	–
LRA housing	157 237	–	157 237	157 237	–	157 237
Assets work-in-progress	2 296 571	–	2 296 571	2 058 472	–	2 058 472
Tax modernisation project	50 051 002	–	50 051 002	27 349 934	–	27 349 934
LTMP counterpart	23 055 439	–	23 055 439	18 750 454	–	18 750 454
Oracle upgrade	15 911 805	–	15 911 805	11 421 754	–	11 421 754
Office equipment – asset clearing	87 193	–	87 193			
Security measures – asset clearing	592 511	–	592 511	–	–	–
Computer equipment – asset clearing	374 216	–	374 216	–	–	–
	435 975 498	(185 403 171)	250 572 327	401 829 871	(175 273 765)	226 556 105

The carrying amounts of property, plant and equipment can be reconciled as follows:

	2021					
Owned assets	Carrying amount at 01/04/2020 M	Additions during the year M	Disposal/ reclasification during the year M	Depreciation for the year M	Movement between asset types M	Carrying amount at 31/03/2021 M
Land	60 496 390	–	–	–	–	60 496 390
Motor vehicles	4 873 031	–	–	1 691 386	–	3 181 645
Furniture and fittings	2 521 991	–	–	559 478		1 962 513
Office equipment	8 257 027	95 289	–	1 876 007	–	6 476 309
Specialised equipment	6 799 332	–	–	2 941 034	–	3 858 298
Security measures	830 908	–	–	245 731	–	585 176
Buildings	77 665 637	–	–	2 251 200	–	75 414 438
Bins and containers	–	–	–	–	–	–
Emergency equipment	827 828	884 580	–	564 571	–	1 147 837
Office equipment – asset clearing	–	87 193	–	–	–	87 193
Security measures – asset clearing	–	592 511	–	–	–	592 511
Computer equipment – asset clearing	–	374 216	–	–	–	374 216
Managed assets						
Work-in-progress: border Refurbishment	4 546 113	377 635	–	–	–	4 923 748
IRMS (EDRMS and data cleansing)	–	–	–	–	–	–
DCS customs	–	–	–	–	–	–
LRA housing	157 237	–	–	–	–	157 237
Assets work-in-progress	2 058 472	513 314	–	–	(275 216)	2 296 571
Tax modernisation project	27 349 934	22 701 069	–	–	–	50 051 002
LTMP counterpart	18 750 454	4 304 985	–	–	–	23 055 439
Oracle upgrade	11 421 754	4 490 051	–	–	–	15 911 805
	226 556 106	34 420 842	–	10 129 406	(275 216)	250 572 326

OUR NAVIGATION

2. Property, Plant and Equipment continued

2.1 Tangible assets continued

The carrying amounts of property, plant and equipment can be reconciled as follows:

	2020					
Owned assets	Carrying amount at 01/04/2019 M	Additions during the year M	Disposal/ reclasification during the year M	Depreciation for the year M	Movement between asset types M	Carrying amount at 31/03/2020 M
Land	60 496 390	–	–	–	–	60 496 390
Motor vehicles	6 241 871	1 298 846	931 655	1 736 032	–	4 873 031
Furniture and fittings	3 053 815	169 078	–	734 499	33 597	2 521 991
Office equipment	6 391 735	2 475 033	–	4 394 776	3 785 035	8 257 028
Specialised equipment	13 744 268	–	–	6 944 936	–	6 799 332
Security measures	1 035 199	36 841	–	241 133	–	830 908
Buildings	78 456 665	–	–	2 157 730	1 366 702	77 665 637
Bins and containers	–	–	–	1	–	–
Emergency equipment	1 052 444	237 550	–	462 166	–	827 828
Managed assets						
Work-in-progress: border Refurbishment	2 497 658	3 415 155	–	–	(1 366 702)	4 546 112
IRMS (EDRMS and data cleansing)	–	–	–	–	–	–
DCS customs	175 345	–	–	–	(175 345)	–
LRA housing	157 237	–	–	–	–	157 237
Assets work-in-progress	647 331	2 195 212	–	–	(784 071)	2 058 472
Tax modernisation project	1 457 264	25 892 670	–	–	–	27 349 934
LTMP counterpart	14 959 378	3 791 076	–	–	–	18 750 454
Oracle upgrade	10 932 732	3 573 042	–	–	(3 084 021)	11 421 754
	201 299 333	43 084 503	931 655	16 671 272	(224 804)	226 556 105

2.2 Intangible assets

Owned assets	2021 Cost M	2021 Accumulated depreciation M	2021 Carrying amount M	2020 Cost M	2020 Accumulated depreciation M	2020 Carrying amount M
Software (ETPM)	83 419 306	(82 701 318)	717 988	83 419 306	(66 735 442)	16 683 864
Software (EDRMS)	2 595 481	(2 595 481)	–	2 595 481	(2 595 481)	–
Software (ASY CUDA)	21 956 087	(22 674 075)	(717 988)	21 956 087	(18 296 743)	3 659 345
	107 970 874	(107 970 874)	–	107 970 874	(87 627 666)	20 343 208

The carrying amounts of intangible assets can be reconciled as follows:

Owned assets	Carrying amount at 01/04/2020 M	Additions during the year M	Disposal/ reclassification during the year M	Depreciation for the year M	Movement between asset types M	Carrying amount at 31/03/2021 M
	2021					
Software (ETPM)	16 683 864	–	–	15 965 874	–	717 990
Software (EDRMS)	–	–	–	–	–	–
Software (ASY CUDA)	3 659 345	–	–	4 377 335	–	(717 990)
	20 343 208	–	–	20 343 209	–	–

The carrying amounts of intangible assets can be reconciled as follows:

Owned assets	Carrying amount at 01/04/2019 M	Additions during the year M	Disposal/ reclassification during the year M	Depreciation for the year M	Movement between asset types M	Carrying amount at 31/03/2020 M
	2020					
Software (ETPM)	33 367 722	–	–	16 683 858	–	16 683 864
Software (EDRMS)	173 032	–	–	173 032	–	–
Software (ASY CUDA)	8 050 564	–	–	4 391 220	–	3 659 345
	63 185 494	–	–	21 594 176	–	41 591 318

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Property, Plant and Equipment continued

2.3 Right-of-use (Rental)

The carrying amounts of right-of-use assets can be reconciled as follows:

Rented assets	Carrying amount at 01/04/2020 M	Additions during the year M	Disposal/ reclassification during the year M	Depreciation for the year M	Movement between asset types M	Carrying amount at 31/03/2021 M
	–	23 121 795	–	(11 527 891)	–	11 593 904
Total	–	23 121 795	–	(11 527 891)	–	11 593 904

should Rented assets shift one line down?

	March 2021 M	March 2020 M
3. Accounts Receivable		
Deposit	257 611	257 611
Prepayments	607 954	848 383
Accrued income	106 812	54 161 729
Accounts receivable	27 240	27 240
Other debtors	6 700	6 900
	1 006 316	55 301 862
4. Bank and Cash		
LRA operating account	418 141	(3 616 625)
88 day deposit account – Nedbank	567 363	564 498
Other short-term deposits	57 858 509	1 347 475
LRA call account	7 829 827	1 766 640
Money market	62 084 190	5 366 204
Border refurbishment project account	8 720	41 158
Tax modernisation project	454 597	507 343
Tax modernisation counterpart	95 874	291 855
Cash on hand	686	157 584
MASCON development fund	4 535 782	3 789 003
	133 853 689	10 215 135

	March 2021 M	March 2020 M
5. Collection Accounts		
LRA refund account	(38 669 098)	(32 230 512)
VAT call account	(3 749 399)	72 873
VAT current account	198 869 039	1 686 458
Income Tax call account	2 919 908	1 540 990
Income Tax current account	94 665 148	6 642 232
Income Tax refund account	(20 542 709)	1 304 770
Toll fees current account	2 247 777	4 655 938
	235 740 666	(16 327 251)
SACU accounts		
Current account	82 391 984	58 559 738
Customs call account	122 005 294	141 251 677
	204 397 278	199 811 416
Net balance	440 137 944	183 484 165

The above accounts represent monies collected on behalf of GOL and SACU and their transferred to the respective institutions.

6. GOL Capital Injection and Projects Funding

The Memorandum of Understanding between the GOL (Ministry of Finance) and the LRA provided for the transfer of all assets (non-movable and movable) free of charge, previously held by the Departments for Customs and Excise, Sales Tax and Income Tax to the LRA. These assets have been revalued by Lethola Cost Associate.

GOL is currently funding the LTMP (Lesotho Taxpayer Modernisation Project) of which forms part of Government grants. The grants are amortised on a monthly basis per the lifespan of the capitalised asset categories.

	Opening balance M	Additions M	Reversal of funds during the year M	Armotisation charge during the year M	Closing balance M
Reconciliations of GOL – 2021					
GOL project funding	172 709 813.26	3 804 404.03	(206 077.90)	(28 883 471.04)	147 424 668.35
	172 709 813.26	3 804 404.03	(206 077.90)	(28 883 471.04)	147 424 668.35
Reconciliations of GOL – 2020					
GOL project funding	201 254 323.47	2 847 833.98		(31 392 344.19)	172 709 813.26
	201 254 323.47	2 847 833.98		(31 392 344.19)	172 709 813.26

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Trust Account (Rental Income MASCON)

This is rental income received from the Maseru Station and Container Terminal site (MASCON). The Ministry of Works and LRA agreed to charge one of the occupants of the site rent. The rent is put in a trust account which will be used to develop that site.

	Opening balance M	Additions M	Usage during the year M	Closing balance M
Reconciliation of trust account – 2021				
Trust account	**3 790 094**	**610 835**	**–**	**4 400 929**
	3 790 094	**610 835**	**–**	**4 400 929**
Reconciliation of trust account – 2020				
Trust account	3 108 688	681 406	–	3 790 094
	3 108 688	681 406	–	3 790 094

8. Reconciliation of Provision

		Opening balance M	Additions M	Utilised during the year M	Reversal during the year M	Closing balance M
	Reconciliation of provision – 2021					
8.1	**Gratuity**	**9 339 603**	**10 491 597**	**–**	**–**	**19 831 200**
	Severance pay	**26 546 529**	**5 078 929**	**–**	**–**	**31 625 458**
	Total	**35 886 132**	**15 570 526**	**–**	**–**	**51 456 657**
8.2	**Leave**	**9 396 376**	**10 314 997**	**–**	**15 679 730**	**4 031 644**
	Total	**9 396 376**	**10 314 997**	**–**	**15 679 730**	**4 031 644**
	Reconciliation of provision – 2020					
	Gratuity	9 987 452	656 135	(1 303 984)	–	9 339 603
	Severance pay	18 805 170	7 745 040	(3 681)	–	26 546 529
	Total	28 792 622	8 401 175	(1 307 665)	–	35 886 132
	Leave	6 323 291	15 919 538	(12 846 453)	–	9 396 376
	Total	6 323 291	15 919 538	(12 846 453)	–	9 396 376

	March 2021 M	March 2020 M
9. Long-Term Liability		
Payable to bank	–	1 354 705
LTMP AfDB	50 311 985	27 659 544
Right-of-use liability	11 593 904	–
	61 905 889	29 014 249
10. Current Loan Liability		
Payable to bank	270 635	1 425 205
	270 635	1 425 205
11. Accounts Payable and Accruals		
Creditors	4 763 467	2 870 158
Accruals	12 977 108	12 969 105
Salary control	1 143	–
Other creditors	24 536 450	252 507
	42 278 169	16 091 770
	104 454 692	46 531 223

12. Contingent Liabilities

A number of companies and individuals have sued the LRA over the last several years for various matters. Management has made an assessment of the possible liability as a result of these pending cases. The total exposure has been estimated at M13.9 million as at 31 March 2021.

	March 2021 M	March 2020 M
13. Surplus for the Year		
Surplus for the year is stated after charging the following:		
Depreciation	30 472 615	28 490 326
Board fees and expenses	2 254 766	1 421 396
	32 727 381	29 911 721
14. Material Related Party Transactions		
Government of Lesotho		
Government funding	437 577 085	413 408 262
Board fees and expenses	2 254 766	1 421 396
	439 831 851	415 298 225

OUR NAVIGATION

15. Financial Instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Authority's business.

15.1 Currency risk

At the balance sheet date there were no balances that were exposed to exchange rate fluctuations.

15.2 Interest rate risk

The Authority does not limit its risk in respect of interest rate changes. Accordingly, interest rate fluctuations will directly impact on the Authority's results. At the balance sheet date, however, there were no significant balances that were exposed to interest rate fluctuations.

15.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

15.4 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

	Carrying amount M	Contractual cash flows M	Within one year M	Between two and five years M
31 March 2021				
Financial liabilities				
Borrowings	**1 354 705**	**1 354 705**	**270 635**	**–**
Trade and other payables	**548 353 647**	**548 353 647**	**548 353 647**	**11 593 904**
	549 708 351	**549 708 351**	**548 624 282**	**11 593 904**
31 March 2020				
Financial liabilities				
Borrowings	2 779 910	1 425 205	1 425 205	1 354 705
Trade and other payables	236 631 854	236 631 854	236 631 854	–
	238 494 103	238 494 103	238 494 103	1 354 705

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 M	2020 M
Loans and receivables	**1 006 316**	55 301 862
Cash and cash equivalents	**573 991 636**	193 699 301
	574 997 952	249 001 163

15.5 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

The fair value of financial assets and financial liabilities together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	Loans and receivables M	Other financial liabilities M	Total carrying amount M	Fair value M
Financial liabilities				
Trade and other payables	548 353 647	–	548 353 647	548 353 647
Borrowing	1 354 705	–	1 354 705	1 354 705
	549 708 351	–	549 708 351	549 708 351
Financial assets				
Trade and other receivables	1 006 316	–	1 006 316	1 006 316
Cash and cash equivalent	573 991 636	–	573 991 636	573 991 636
	574 997 952	–	574 997 952	574 997 952

16. Prior Year Adjustments M12 322 422

These adjustments are mostly the reversal of the previous year's leave days' provision.

17. Grants Amortised

LRA capitalised the projects that were Government funded namely ETPM, ASYCUDA, EDRMS and Border Refurbishment (Caledonspoort Border) which were under work in progress before they were capitalised, and the monies received is being amortised over the useful lives of the assets, below relates to current year charge.

Category	M
Amortisation charge monthly (April 2020 to March 2021)	28 625 655
Total	28 625 655

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NOTES

OUR NAVIGATION

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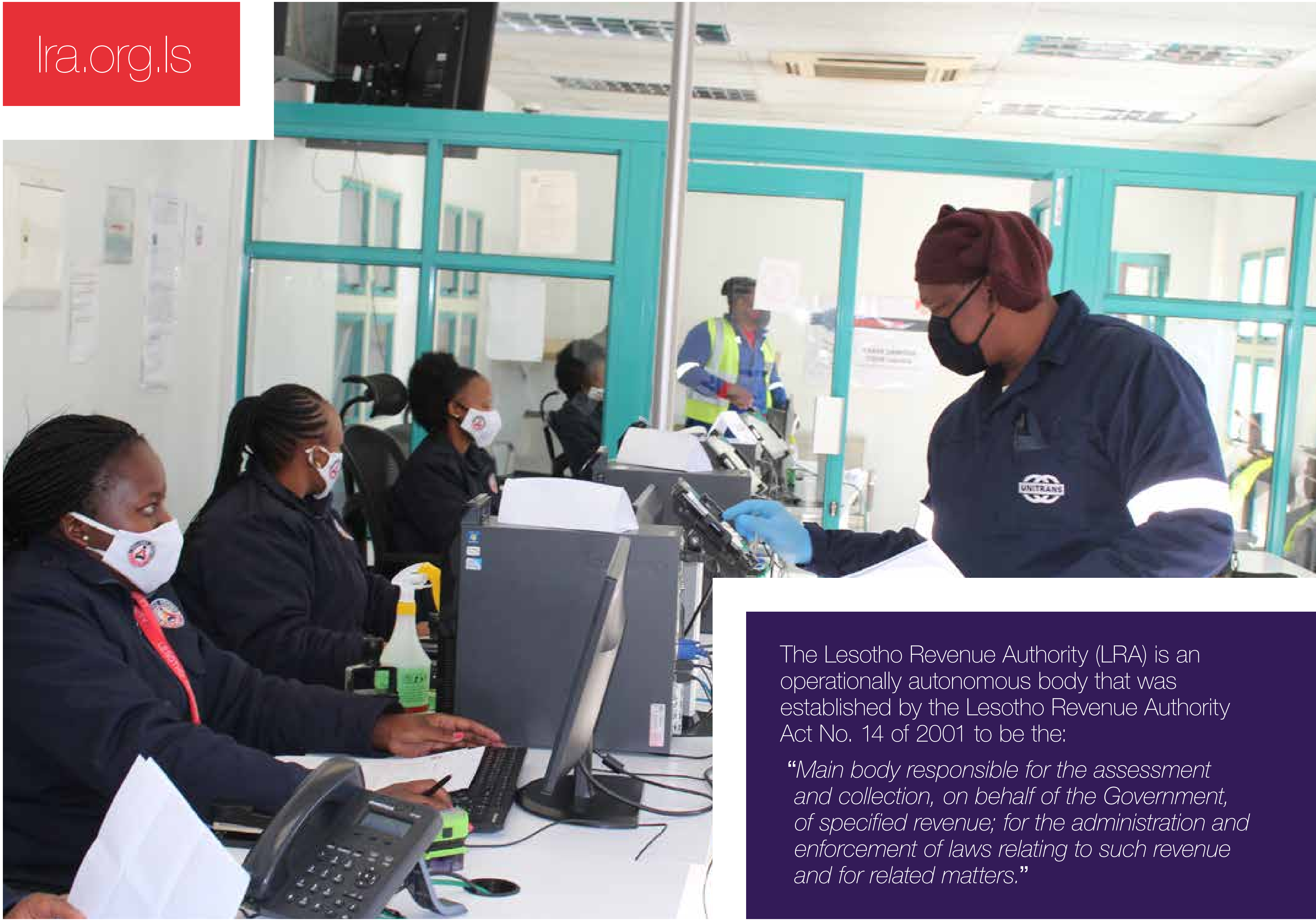

The Lesotho Revenue Authority (LRA) is an operationally autonomous body that was established by the Lesotho Revenue Authority Act No. 14 of 2001 to be the:

"*Main body responsible for the assessment and collection, on behalf of the Government, of specified revenue; for the administration and enforcement of laws relating to such revenue and for related matters.*"